Social Form and the Development of the State under Monetarism

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ABSTRACT

The thesis sets out to rework aspects of the Marxist state debate of the 1970's in the context of the contemporary development of the British state. The argument is conceptual and empirical. The thesis analyses the crisis of Keynesianism and the rise of monetarism during the 1970's and the pursuit of monetarist policies during the 1980's. The development of the state is seen as being determined by social conflict, the most fundamental form of which is the money power of capital: the money power of capital constituted at the level of the world market and mediated through the state. The thesis contends that the single most important event for the development of the state has been the break-down of Bretton Woods in 1971 and 1973. The global power of money impinges on the state in the form of financial difficulties which restrict the integration of labour into the capital relation on the basis of social reform.

Following an analysis of the crisis of capitalist accumulation and the constitution of this crisis in the form of a global pyramid of debt, the thesis analyses the politics of the social contract and the development of the state under the Thatcher governments. The thesis comes to the conclusion that monetarist policies did not involve a frontal attack on the working class but, rather, an attempt to recompose class relations on the basis of the categories of property owner and citizen. The thesis shows that monetarist policies failed to resolve the crisis of capitalist accumulation. The class struggle over the political integration of labour involved the political reproduction of the contradictions of capital. The political significance of monetarism lies in its attempt to subordinate political criteria to the money power of capital. Monetarist policies entailed, fundamentally, an attempt to recompose the form of the state as the concentrated force of the money power of capital. The thesis shows that the recomposition of the form of the state is fraught with contradictions. The subordination of political criteria to the money power of capital has led to the recomposition of labour as the antagonistic subject of debt.

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Chapter I

INTRODUCTION

I Topic

In December 1974, the *Economist* announced the end of the post-war boom. It painted a threatening scenario of heavy unemployment ahead in a global slump of economic activity which could carry in its wake the disintegration of the social structure of democracies. During the 1970's, high inflation and high unemployment (stagflation) came to the fore as major political problems. Domestically and internationally, governments came to reject the Keynesian guarantee of full employment growth policies. Instead of Keynesian demand management, the new policy paradigm was to regain control over public finances by deflating the money supply. The shift from expansionary to restrictive monetary policies is associated with 'monetarism'. Deflationary policies, according to monetarism, would deliver inevitably (sustained) economic recovery, while Keynesian demand management was said to be responsible for inflation and unemployment. Deflationary policies were associated with the rejection of Keynesian interventionist policies which were held to be responsible for the disruption of the allegedly self-regulating capacity of the market. Trade union power was seen not only as causing unemployment as trade unions priced people out of work (see Hayek 1986;Minford 1986), but also as forcing the state to undertake inflationary policies, discriminating against the self-regulating capacities of the market. Trade union power over the state, as institutionalised in the UK in the social contract, and over capital, as institutionalised in the system of industrial relations ('payment for change': Holloway 1987), had to be undermined. The welfare state had to be restructured, if not destroyed, so as to 'liberate' those dependent on social services from state sponsored unproductive existence. These objectives had to be delivered if the self-regulating capacity of the market was to unfold its rule. Failure in achieving these objectives would lead on to, and reinforce, the 'road to serfdom' (Hayek 1986; Brittan 1977). In the UK, Labour, in the 1970's, continued to attach importance to social reform while deflationary policies, especially cuts in public expenditure and regressive income policies, came to the fore as an attempt to restore financial confidence. The 'unbelieving monetarists' (Brittan 1977) within the Labour administration sought to implement deflationary policies within the institutional framework of a Keynesian class compromise (social contract). The tension between deflationary policies within a framework of class collaboration erupted in the winter of discontent, paving the way for the election of the Thatcher government in 1979.

In the last fifteen years, Keynesian inspired policies of full employment have been abandoned; the welfare state has been under constant attack, while the number of unemployed and claimants has increased dramatically; the political role of trade unions has been challenged, while their bargaining position has been threatened through mass unemployment and closure of plants; the institutional structure of the state has been tightened and the ideology of the market has been brought to the centre of policy preoccupation. The debate between monetarists and Keynesians was not just an academic one but, more fundamentally, fought on the political stage. The failure of Keynesianism to achieve the miraculous cure of economic recovery, proved, in the event, the practical truth of the monetarist prescription of how best to tackle economic slump.

My thesis attempts to theorise the development of the British state since the mid 1970's and, in particular, the 1980's. The development of the state will be conceptualised within a particular Marxist debate. This debate can be broadly characterised as 'open Marxism' (1). The thesis aims at reworking the debate on open Marxism in the context of the contemporary development of the British state. Important authors in the contemporary debate on open Marxism are Agnoli, Clarke, Gunn and Holloway. Lists of such kind are always problematic and not all the authors mentioned would evaluate their work as 'open' Marxism. Nonetheless, the authors supply a common background. This background is the conceptual and practical understanding of the class struggle as the constituting force of capitalist society. The notion of the primacy of class antagonism disclaims a Marxism of conceptual closure, i.e. a Marxism construed as a theory of determinism, structure and uncritical acceptance of social development (Bonefeld/Gunn/Psychopedis 1990). Open Marxism refers to the openness of the Marxist categories themselves. The openness of categories obtains as a reflexive critique of social phenomena which, for their part, exist as moments of the historically asserted forms of class struggle. An understanding of the primacy of class implies a constant change of social 'reality' and a constant change in the form of the class struggle. In turn, the understanding of social reality as constantly moving implies the incompleteness of categories as the social development appears in various forms and within changing empirical circumstances. Instead of the theoretical certainty of a Marxism of conceptual closure, open Marxism reclaims the incompleteness of the process of thinking and readopts the unpredictability of the 'legitimation of chance' (cf. Marx 1973, p. 109), i.e. the unpredictability of the movement of class struggle. Such an approach rejects a Marxism of conceptual closure or, in other words, a Marxism of purely contemplative knowledge (see Agnoli 1980). Instead, of the theoretical suppression of class struggle in 'closed' Marxism (see Holloway 1990d), open Marxism sees its categories as both conceptual and practical and, as a consequence, as categories which are open to, and connote, the movement of class struggle itself. "This openness appears in, for instance, a dialectic of subject and object, of form and content, of theory and practice, of the constitution and reconstitution of categories in and through the development, always crisis-ridden, of a social world. Crisis refers to contradiction, and to contradiction's movement... . Rather than coming forward simply as a theory of domination - 'domination' reporting something inert, as it were a heavy fixed and given weight - open Marxism offers to conceptualise the contradictions internal to domination itself" (Bonefeld/Gunn/Psychopedis 1990, ms. p. 3-4). The development of the contradictions of domination is determined by class struggle. Open Marxism's starting point is the class antagonism between capital and labour. The assertion of the primacy of class antagonism entails an understanding of the class struggle as an open-ended and unpredictable process. In the debate on open Marxism, openness refers to "categories first and to empirical continuation second; it is the openness of theory which construes itself as the critical self-understanding of a contradictory world" (ibid. ms. p. 4). The debate of open Marxism seeks to overcome the perennial controversy within Marxism concerning the relation between structure and class struggle. In opposition to structuralist approaches that look at the causal relation between e.g. the economic and the political, the debate stresses the internal relation between different social phenomena. This internal relation is seen as being constituted by the social relations of production, i.e. the class antagonism between capital and labour. What other Marxist approaches see as a causal relation between social phenomena, is conceptualised as a contradictory unity, the movement of which is determined by the class struggle. However, the conceptual, and practical, emphasis on the primacy of the class struggle involves a problem. This problem concerns, contrary to the downplay of the class struggle in structuralist approaches, a possible overemphasis on the class struggle, leading to an essentialisation of class as existing merely against capital. The essentialisation of class entails, in turn, an externalisation of structure and class struggle because class struggle is understood as the causal nexus of capitalist development, i.e. working class insurrection and capitalist deconstruction of revolutionary subjectivity (Negri 1990). The essentialisation of class disregards the forms in and through which the working class exists in capitalist society. Essentialism and structuralism are different sides of the same problem as both externalise structure and struggle. I hope to avoid such an externalisation of structure and struggle by stressing that labour exists in and against capital, permitting an understanding of the class struggle as existing in a dialectical continuum of reproduction and transcendence. The notion of labour as existing in and against capital will be conceptualised in chapter II. In chapter VII, I shall, on the basis of the analysis of the development of the British state, drive home some implications of my approach.

How does the open Marxist debate conceptualise the capitalist state? For open Marxism, the state is a distinct moment of the category of value. The state exists in a relation of unity-in-separation to the economic. This understanding raises the question of form. By 'form' I understand 'mode of existence' of the social relations of production. From this perspective, the economic form does not determine the political, nor vice versa; instead, the separation-in-unity of the two is constituted in and through class antagonism itself. The question for Marx was how to understand the diversity of multiple determinations of social reality as interrelated phenomena which exist only in and through each other and whose social existence exists only through the relation which constitutes them. I shall call this constituting relation the 'substantive abstraction' of social reality as a whole. This substantive abstraction exists only as concrete reality in and through social conflict in and against the forms of social reality. The substantive abstraction of bourgeois society is the social relation of capital and labour. Chapter II outlines my understanding of open Marxism, social form, and the state.

The aim of the thesis is to rework the Marxist debate just sketched in the context of the rise of monetarism. This rise of monetarism is seen as being precipitated by the failure of Keynesianism to contain the working class within the limits of the state and capital. What, however, is to be understood by Keynesianism? Within the framework of open Marxism, Keynesianism is seen as premised on a particular institutional strategy to contain the class struggle on the basis of full-employment growth policies and institutionalised forms of redistribution of wealth (material concessions in form of welfare spending). Keynesianism sought to contain the class struggle through demand management and policies of social reform, permitting a form of social control on the basis of the transformation of protest into demand. In turn, the Keynesian attempt to transform protest into demand filled the deflationary gap between mass production and market realisation of commodities through fiscal redistribution and deficit demand management. Material and political concessions comprised a quid pro quo for social peace. These 'integration costs' (Agnoli 1968) could be absorbed by capital and the state as long as productivity rose even faster than the integration costs (M. Davies 1978) and as long as the realisation of surplus value made possible the expansive reproduction of capital.

Massive working class unrest at the beginning of the century (e.g. October Revolution; revolutionary insurrection in Germany after world war I;General Strike in Britain in 1926), followed by the dramatic recession in the 1930's, signposted first by the Black Friday in October 1929, compelled a reconstruction of the role of the state vis-á-vis capital and the working class. The balance of class forces had changed and with it the forms with which the state and capital sought to contain the social conflict within the forms of bourgeois social relations (i.e. the imposition of the wage relation through the guarantee of full-employment, material concessions, prosperity and social reform). The recomposition of order that fitted the situation of the class conflict (see Negri 1988a, p. 20), implied that the working class could no longer be contained within the liberal variables of political and economic equilibrium, defined by laissez-faire. "The central feature of Keynesianism was the acknowledgement of the organisational strength of the working class. Keynesianism made explicit in institutional form the dependence of capital upon labour, the strength of the presence of labour in-and-against capital" (Holloway 1990, p. 1). The political stability of post-war accumulation rested on the successful integration of the working class in and through full-employment growth policies which became the means to legitimise the Keynesian-inspired disorganisation and demobilisation of social conflict. Political stability depended on the systematic social and political integration of the working class, the condition of which was domestic prosperity within the context of sustained accumulation on a global scale (see Clarke 1990b). The Keynesian attempt to contain the class struggle depended on the ability of the state to finance the integration costs that the pacification of the working class on the basis of social reform commanded. The Keynesian mode of integration of labour implied an inflationary expansion of money as the Keynesian integration of labour involved the pacing of accumulation through deficit demand management which was underpinned by international agreement of currency exchange relations, based on the Bretton Woods agreement of 1944, and the reconstruction of capitalism in Europe through the Marshall Plan (see Clarke 1988a;Armstrong et.al. 1984). The Keynesian conception of the interventionist state entailed not only the imposition of social conditions in and through which the process of value can unfold; it entailed also the political guarantee of economic growth itself. The pacification and integration of the working class depended on sustained 'economic growth'; the peacekeeping guarantees of material concessions and social reform are premised on a 'state-of-liquidity'. The political organisation of economic growth (industrial policies,state deficit financing of demand, fiscal redistribution) came to the fore as political means with which the state sought to influence the pace of accumulation in a socially controlled way. The Keynesian guarantee for sustained economic growth implied the affirmation of the conception of the interventionist state, premised on the ideology of a politically supervised promotion of economic growth through monetary and fiscal means. The peacekeeping objective of full-employment growth and social reforms implied that the state took over forms of social planning, integrating the social much more directly into the ambit of the state. The role of the state vis-á-vis capital and the working class is thus to be seen as being specified by the political guarantee of profitability and prosperity, a guarantee upon which, in turn, the normalisation and domestication of the social conflict rested. Negri (1988a, p. 21) interprets the Keynesian commitment to recomposing the role of the state vis-á-vis capital and the working class as a destruction "of the object of economic science, insofar as political economy was premised-structurally-on the theory of economic equilibrium, on an integrated and functional symbiosis of elements allowing an infinite, free access to the world of wealth". The ideology of the Keynesian welfare state is one of planned economic growth and prosperity. The synthesis between capitalist domination and its legitimating discourse depended on the ability of the state to influence the pace of accumulation in a way which allowed the integration of the working class through material concessions.

The systematic development of the Keynesian welfare state after world war II rested upon the acknowledgment of the organisational strength of labour. At the same time, this acknowledgment is repressive in form as it entailed the disorganisation of class on the basis of the category of consumer and citizen (Holloway 1990;Negri 1988a). In the face of intense class struggle before and after the second world war (for the UK after the second world war see Pelling 1963;Pritt 1963;Miliband 1973), the Keynesian acknowledgement of the organisational strength of labour found an institutional expression in the generalisation of industrial relations and the incorporation of the trade union movement into forms of political interest-intermediation with government (and employers). Rising living standards and full-employment growth guarantees, while manifesting a political programme to impose work, constituted the quid pro quo for the organised labour movement to participate in the formalising of policies. The political quid pro quo for the class collaboration with the trade unions was their recognition of national values over those of their members and, as such, their ability to discipline their members, confining their aspiration to the limits of capital (Panitch 1986). The institutionalisation of the trade union movement implied their 'responsibilisation' to the limits of capital and the state. For example, during the Atlee government, the annual reports of the TUC General Council "began to read like the records of some special government department, responsible for coordinating policy in the social and industrial sphere" (Pelling 1963, p. 215). The acceptance of political influence over national policies, as distinct from class policies, implied trade union recognition of exploitation and political domination. The Keynesian welfare state involved thus a (preemptive) stabilisation of social peace in and through a degree of trade union identification with government policies, an identification that encouraged them to tailor their own objectives accordingly. Trade unions are torn between, on the one hand, maintaining and improving their institutional recognition and, on the other hand, articulating discontent so as not to lose the vital link with their membership (see Hyman 1985a). The possible direction this contradiction might take depends on the actual social conflict. The conflicting pressures that pertain within the trade unions, intensified in the late 1960's, contributing to the fall of the then Wilson government, and the winter of discontent that broke Callaghan's neck in the late 1970's.

The contention that the rise of monetarism is precipitated by the failure of Keynesianism to contain the class struggle raises the question of the significance of monetarism for an understanding of the development of the state. What is to be understood by monetarism? In the strictest sense, 'monetarism' rejects a policy of state intervention because it suppresses the capacity of the market to regulate demand and supply. Erratic credit and fiscal policies are held to be responsible for inflation and economic slump. Monetarism presupposes the self-regulating power of the market. The efficiency of capitalism is understood by monetarists in a dynamic sense, in that the market rewards entrepreneurship and so maintains a spur to economic progress. Disequilibrium is the essence of competitive capitalism, as the entrepreneur innovates and so upsets the previous equilibrium. The sticks and carrots of market success and failure will so structure expectations as to guarantee a tendency to equilibrium. The basic condition of the tendency to equilibrium is a capitalist society based on monetary exchange. The reconstruction of the market is thus identical with the reimposition of the power of money in that a predictable growth in money supply underpins a general level of prices. Price stability is seen as being dependent on the predictable growth of the money supply. A predictable growth of the money supply allows, in turn, every agent to be alert to the messages of the market and to respond accordingly. The power of money is thus conceived of as a general impulse giver, providing information and incentives for the acting individual. Any defects of the system derive from the failure of the monetary authorities to regulate the supply of money according to its function as impulse giver. In order to secure the efficiency of capitalism, monetarism rejects the Keynesian conception of the interventionist state as it undermines the discipline of the market and so stunts enterprise. Monetary policies need at least to aim at a predictable growth of the money supply (see Clarke 1982,1987;Deutschmann 1973;Reiche 1976). In this narrow understanding of monetarism, the state is to reduce the money supply so that the proper relation between goods and money can unfold.

However, this technical understanding is to take a much too narrow view of monetarism. Indeed, monetarism as an economic policy has been utterly discredited (see the crash in 1987) while the targeting of the money supply was abandoned after only a short period of time (see Thompson 1986;Tomlinson 1986). The importance of monetarism was the rejection of the conception of the interventionist state in favour of the subordination of the state to the power of money and the subordination of the conditions of life to the centrality of scarce money. The massive attempt by monetarism to bring back the ideology of the market to the centre of the political stage involved, fundamentally, the subordination of the working class to the reimposition of so-called economic freedom. The reconstitution of social relations on the basis of economic freedom implies the destruction of the welfare state, i.e. the destruction of the way in which the power of labour in and against capital was officially acknowledged and repressed during the post-war boom (see Holloway 1990;Negri 1988a). As with any other market agent, the proprietors of labour power have to conform their expectation to the impulses given by money, without the state meddling in the market through policies designed to guarantee employment and income. Unemployment is self-inflicted as wage expectations are uncompetitive, mainly because of trade union power. The reconstruction of the power of the market forces entails thus the monetary destruction of the existing relationship between public expenditure and (direct and indirect) wages, a relation which expresses the class struggle over Keynesian integration costs (i.e. the Keynesian attempt to transform protest into demand). The reimposition of the power of money entails the destruction of institutional forms that underpin the political strength of labour. In other words, the reconstruction of the market entails the monetary decomposition of the collective power of labour to command a living standard 'incompatible' with the limits of the market.

The monetary decomposition of the working class thus involves not only the redistribution of wealth in favour of capital, but, more fundamentally, the recomposition of the role of the state vis-á-vis capital and the working class. Rather than committing itself to a policy of corporatist forms of pacification and normalisation of the class conflict, the reassertion of the power of money involves the tightening of the ring of those who have access to even a semblance of power. Such a recomposition of the hierarchical composition of domination involves, in turn, the fragmentation and polarisation of the working class, characterised by the imposition of poverty that punishes unproductive existence and the rewarding of those whose enterprising activities conform to the messages of the market. Instead of income guarantees, people are asked to price themselves into jobs, instead of full-employment guarantees, unemployment is seen as 'natural', instead of welfare guarantees, the monetarist attempt to reconstitute social relation on the basis of the market involves the repressive use of public expenditure as a means to encourage enterprise (poverty wages). In order to combat inflation, the deflation of the money supply involves the subordination of the social to the power of money, i.e. the regaining of financial stability through the enforcement of debt over the working class. While the social contract depended on the successful responsibilisation of labour, expressed in institutional form by corporatist strategies, monetarist reconstruction of the market depended on the responsibilisation of the social to the lurid face of economic freedom and equality: the reimposition of the power of money in and through political force.

The Keynesian attempt to contain the class struggle involved the conceding of social reforms through the combination of the free and equal exchange on the market with the provision of collective resources. The role of the state attained an existence as an enabling power to secure the capacity of people to advance their position on the market. The monetarist attempt to impose the rule of the market involved thus an attack on the form of the state as an enabling power. The role of the state is to secure the economic freedom of the equal exchange on the market in opposition to the so-called coercion of the market forces through the collective provision of resources. The attempt to destroy the Keynesian relation between public expenditure and wages involves thus the imposition of the rule of the market, i.e. the imposition of inequality on the basis of the equal and free exchange of property owners on the market.

The monetarist conception of social reproduction is incompatible with trade unions since they are seen as forcing employers to concede inflationary wage rises and the erratic credit and fiscal policies by the state undermining the unfettered operation of the market forces. Trade unions enforce wage demands without regard to the effects they are said to have on employment. Trade unions, according to monetarist ideology, violate the free play of the market, paralyse the presupposed flexibility of the labour market and coerce government to create inflation and to promote a society dependent on welfare services instead of work. The task for the state is not to impose barriers to the unfettered operation of the market forces, but to remove those that exist. Hence, the state is seen as a force of coercion undermining and removing barriers to the free play of the market and of ensuring the supervision of social acceptance of tight monetary constraint. Monetarist policies do not just involve a particular set of economic policies. Monetarism involves the attempt to contain labour within the limits of capital and the state by subordinating the conditions of life to the centrality of money, by undermining those institutional forms of the state which are connected with integrating the working class through material concessions, and by restructuring the welfare state in terms of repression and efficiency. The form of reasserting social domination peculiar to the monetarist reconstruction of the state is that of financial law-and-order control: money-in-command. The imposition of money-in-command over the conditions of life involved not just a shift in the balance of class forces but, more fundamentally, the attempt to recompose the role of the state vis-á-vis capital and the working class. The imposition of money-in-command involved the destruction of institutional guarantees of full-employment growth policies, income and social reform. This broader conception of monetarism provides a fruitful understanding of monetarism.

What, however, underlies the crisis of Keynesianism and the rise of monetarism? On this score, the thesis contends that the crisis of Keynesianism and the rise of monetarism were the result of neither political or ideological changes, or economic crisis. The shift in the institutional strategy of the state reflects the self-contradictory form of the state as a mode of existence of labour in capitalism. It is the crisis of capitalist domination over labour for the purpose of exploitation to which the monetarist institutional strategy responded. My starting point is the argument that the driving force of accumulation is the tendency for capital to develop the productive forces of labour without limits. However, the development of social production confronts the limits of its capitalist form as production of profit. The contradiction between social reproduction and its capitalist form entails, and is premised on, the constant class struggle over the imposition of work. Most fundamentally, the class struggle involves the struggle over the capitalist tendency to limit necessary labour against labour's tendency to limit the provision of labour. The class struggle over the organisation of life around imposed work involves, in turn, the imposition of the capitalist form of social reproduction: i.e. the measurement of all things and all social relations in terms of money. On this score, the class struggle over capitalist exploitation of labour entails the imposition of work through the imposition of the commodity form (exchange value), i.e. the imposition of free and equal exchange on the market (see chapter II). In the face of the capitalist tendency to unfettered accumulation, the unity-in-separation of production and exchange makes itself felt through their separation, i.e. the monetary constraint to the realisation of surplus value in the form of profit. In turn, this separation is constituted in the form of a contradiction between functioning capital and the credit system. The thesis's starting point is the argument that the crisis of capitalist domination over labour resulted in a tension between productive and money capital. This tension had reached a point of no return in the early 1970's, signposted by the break-down of Bretton Woods and the deregulation of international money and credit markets. "What gave monetarism its practical importance, ..., was not its coherence as a doctrine nor its academic credentials nor even its conquest of the financial pressure. What was decisive was the break down of the regime of fixed exchange rates in 1971/3" (Gamble 1988, p. 39).

The thesis contends that the crisis of domination over labour manifested itself to the state in the form of a disruption between productive and monetary accumulation. The tension between the different forms of capital is expressed in the self-contradictory centrality of money as form of social command. The open Marxist debate sees money as the supreme social power through which social reproduction is subordinated to the reproduction of capital. The crisis-ridden development of accumulation manifested itself to the state in and through the money power of capital. The centrality of money for its part exists through the presence of labour, this latter being the source of the crisis of capital to which the state responds. On this score, the thesis contends that the state can only reproduce the contradictions of capital in a political form. I shall argue that monetarism as an economic policy failed, while, in its broader sense, it proved to be pivotal for recomposing social command over labour for the Right and Left ('New Realism') alike. Lastly, I shall argue that the monetarist institutional strategy did not resolve the crisis of social reproduction as domination. Indeed, the presence of labour in and against capital led, by 1982, to a renewed integration of production and exchange on the basis of credit expansion. This expansion gave accumulation an increasingly speculative dimension. The monetarist-inspired recomposition of the state is understood as a moment of the crisis of social reproduction in the form of capital. The significance of monetarism, as I shall argue, lies in its attempt to decompose the class relations through a ruthless impartiality of legal and monetary intervention into the conditions of life (see Clarke 1988a).

The political stability of monetarism, as was the case with that of Keynesianism, depends on the sustained accumulation of capital. The recovery of sustained accumulation had to be promoted politically, if the new consensus of social existence in its relation to money was to succeed. The credit-sustained accumulation of capital in the 1980's is the most powerful expression of the current fragility of capitalism. This inflation is the expression of the non-resolution of the crisis of overaccumulation. Seeing labour as the source of the crisis to which monetarism responds, the inflation of credit will be discussed as, following CSE-Edinburgh (1989, p. 33), an expression "of the power of the working class (even in moments of defeat) and at the same time a response to that power which is repressive in form: credit expansion is a response to the power of labour which both individualises and oppresses, through debt". On this score, the thesis contends that the monetarist attempt to decompose the class relations on the basis of monetary intervention reasserted the power of labour as the antagonistic subject of debt.

It would be nonsensical to speak about Keynesian and/or monetarist policies in general terms. The historical concrete form of the capitalist state and specific attempts by the state to sustain domination over labour differs from one country to the other. The class struggle can be understood only with regard to the concrete existence of the state and to the concrete reproductive form of capital in different nation states, as well as the different ways in which they are integrated on the world market (see Clarke 1988c). The international crisis of accumulation triggered an international crisis of Keynesian forms of domination and made possible the rise of monetarism, internationally and domestically. This international phenomenon, however, exists only in the context of persistent national developments of the class struggle in and against capital and hence in a form of national difference (see Kastendiek/Kastendiek 1985 on the difference in Conservative policies between West-Germany and the UK). My thesis attempts to rework the open Marxist debate in the context of the development of the British state. On this score, I shall refer to 'Thatcherism' in a descriptive way, indicating the specific character of the institutional strategy of the state under the Thatcher governments.

II Marxist Approaches to 'Thatcherism'

In what follows I introduce, and discuss the limits and insights of, different Marxist approaches to the contemporary development of the state. My own approach relies heavily on the approaches put forward by Clarke and Holloway (see below). The discussion of Clarke and Holloway attempts to clarify my own approach in an affirmative, nonetheless critical, way.

I My conceptual understanding rejects a discussion of the rise of Thatcherism simply in terms of the failure of the Left during the 1970's, a failure that is said to have opened up the way for the ideology of the New Right (see S.Hall/Jacques 1983). The popular demand for freedom and less state interference is said to have fostered the claim of the New Right that it would draw back the tyranny of the state (see S. Hall 1982,1988 on authoritarian populism). The relation between the state and the economy is in this view seen as one of statecraft and the crisis of Labour is seen as merely reflecting political and ideological changes. It is suggested that the New Right's reconstruction of the state is merely a consequence of the ideological appeal of its discourses and that, if Labour were able to arrest this appeal, history would be once again one of Labour's making (see S.Hall 1984,1988;S.Hall/Jacques 1983; Hobsbawm 1981,1989).

In this approach there is no consideration of the global dimension of the crisis of Keynesianism during the 1970's. While social democratic governments introduced monetarist policies under the banner of realism within a Keynesian framework, conservative governments proclaimed the power of the monetarist prescription as one of moral principle, rejecting the Keynesian conception of the interventionist state and demanding the destruction of Keynesian forms of class compromise. Surely, differences obtain between social democratic policies of (monetarist) realism and conservative policies of (monetarist) moral principle. However, the underlying pattern cannot be ignored if the monetarist reconstruction of the state is to be understood. To simply regard the development of the state as resulting from ideological crisis is to misunderstand the dialectical development of class conflict as merely an act of will fostered by the conviction of a particular party leadership. This act of will remains difficult to comprehend as it seems to be merely a plan of sinister powers. The 'emergence' of 'Thatcherism' was not simply a reflection of political and ideological changes, as this approach suggests. Capital does not aim at 'Thatcherism', but at profit. Capital is indifferent to the way in which the working class is politically processed as long as its command over labour can be sustained within the concept of profit. Thatcher's 'peasants' revolt' (cf. Campbell 1987) may have been contingent; the change from Keynesian to monetarist policies in the mid 1970's was not. Why not? The answers provided by this approach are at best descriptive and suggestive.

The merit of this approach lies in its emphasis on the ideological form of the crisis of Keynesianism. However, the crisis of 'legitimacy' is not seen in the context of the crisis of domination over labour. My thesis contends that the crisis of domination involved a crisis of domination's legitimating discourse. A political problem of the failure of Keynesianism to contain the class struggle was the problem of establishing consensus (see Agnoli 1977)(2). The thesis contends that the class struggle over the state under the Thatcher government involved the attempt to impose a new consensus, i.e. the attempt to establish a new synthesis between domination and its legitimating discourse. The New Right responded to the crisis of the Keynesian legitimation of political domination by articulating the subordination of the state, capital and the working class to the power of money much more directly compared with Labour in the 1970's. The New Right sought to impose a new synthesis between domination and its legitimating discourse on the basis of the self-determining market individual.

II Another way of conceptualising the contemporary development of the state which I shall criticise is the <u>Regulation Approach</u> (see Aglietta 1979; for comment: Clarke 1988b;Hübner/Mahnkopf 1988;Mahnkopf (ed.) 1988;Psychopedis 1990). This approach sees the Keynesian welfare state (i.e. the Fordist state) as an appropriate functional form of capitalist reproduction based on Fordist methods of production. The Fordist state is discussed as providing functionally required regulative forms that integrate a regime of accumulation (3). Class conflict is seen as being regulated by the state in a way which sustains capitalist accumulation within a systemic mode of corresponding economic and political forms (e.g. (post-) Fordism). Such an integrative relation between the political and economic is discussed as a mode of articulation which sustains social reproduction without entering crisis. The crisis of Fordism is seen as a crisis of Fordist production and the subsequent crisis of the regulative functions of the state that are based on this mode of production. The crisis of Fordism is seen as a period of disintegration, i.e. the disintegration of a regime of accumulation and its political forms of regulation. A period of disintegration is founded on the disproportionate development between different departments of production. The social mechanisms that ensure proportionality are in disarray because of the exhaustion of the productive potential of a given method of production and because of the subsequent break down of regulative forms which act upon it. The period of disintegration is seen as a period of transition from one mode of systemic integration (Fordism) to another mode of integration (post-Fordism). Monetarism is, by implication, seen as an emerging new form of political regulation based on a post-Fordist regime of accumulation. The crisis-ridden process of transition is one of class struggle. However, the class struggle remains subordinated to the unfolding of objective laws of capitalist development (Clarke 1988b). This can be criticised as a structuralist-functionalist understanding of social development (see Clarke 1988b;Psychopedis 1990).

The structuralist-functionalist understanding of society perceives the power of money not as a power in and through which labour exists in capitalist society, but, rather, as a regulative form that is functionally integrative within the structure of a regime of accumulation. The function of money is historically specified through its institutional form of existence and not as a mode of existence of the contradictions of capital (see Clarke 1988a). Instead of conceptualising the social character of money, the treatment of money is descriptive in reference to the function it fulfils. This function is, in turn, perceived as a regulative form within a regime of accumulation. The disintegration of a mode of integration causes monetary disturbances which are, in turn, overcome with the reconstitution of a new regime of accumulation; money serves once again as a regulative form 'subordinated to the institutional form of the regime of accumulation' (Clarke 1988a). In this approach the reconstitution of a new regime of accumulation (post-Fordism) is seen as being ultimately achieved through the state. The state is understood as generating a functional integration of a regime of accumulation. As with money, the state is not seen as a mode of existence of the class antagonism between capital and labour but as a field that stands above the class struggle. The state is conceived in terms of the regulative functions it fulfils. In the relation of structure and struggle, it is the former which determines the latter (see Bonefeld 1987b).

The merit of the regulation approach lies in its attempt to combine the development of the economic and the political and to draw attention to the systematic character of social reproduction after World War II. However, the theoretical and empirical exposition remains confused and unclear and the periodisation of capitalist development into typologies of structural dominance of a (post-)Fordist kind lacks historical anchorage (see Clarke 1988a,b,1990a;Psychopedis 1990). The proposed understanding of capitalist development remains descriptive and suggestive. Further, the focus on objectively given patterns of development, patterns which simply emerge, reads too much coherence into the stability of a mode of integration and, as implied by the teleologist concept of (post-Fordist) transition (Bonefeld 1987b), equates capitalist projects of social reproduction with their social implementation.

III The regulation approach is taken up in the reformulation of state theory (see Bonefeld 1987b;see also Hirsch 1990;Jessop 1988a;Holloway 1988a)(4). The debate on the (post-)Fordist state concentrates on theorising the systematic character of regulative forms of the state with regard to specific regimes of accumulation. Hirsch (1983a), one of the advocates of the 'reformulation', does not reject the state derivation debate (see later), but criticises it for its limitations while insisting on its fundamental importance as a starting-point for the study of the state. The key question of the reformulation is to subsume the state derivation debate into less abstract, more historic terms. The fundamental issue is the question between logic and history, between structure and struggle, between objective laws and subjective forces - the perennial themes of Marxist controversy.

The term (post-)Fordism is used by Hirsch/Jessop as an integral concept, comprising the reorganisation of accumulation and form of socialisation. The reconstitution of a new structure of accumulation is said to require a modified relation between the political and economic. The development of a new integrative structure of accumulation is seen as following the unfolding of objectively given laws, but also the class struggle (Hirsch 1983a). Within this relation the class struggle is subordinated to the unfolding of objective laws of capitalist development. The recomposition of the state follows the patterns of a new mode of production which is defined by the technological nature of production. This seems to me to be a technological determinist approach (Peláez/Holloway 1990). Thatcherism, by implication, is seen as a political expression of the emergence of such a new integrative structure based on the introduction of new technology. This understanding attributes too much coherence to Thatcherism. The state is, by implication, not seen as a self-contradictory form in and through class struggle, but as a functional entity which articulates the project of capital politically. The main weakness of this approach is the disarticulation of structure and struggle (Bonefeld 1987b).

Jessop's (1983) (5) understanding of the 'dialectic between structure and process' and Hirsch's (1978a) understanding of the state proved to be influential for the post-Fordist analysis of contemporary developments of the state. Hirsch's derivation of the state aimed at understanding the state from the capitalist relations of production. What, according to Hirsch (1978a;see also Holloway/Picciotto 1977, 1978;Holloway 1980) constitutes the state as a capitalist phenomenon is the separation of the collective social organisation from society itself, an abstraction which posits the state as an external force of society, subjugating rulers and ruled alike to a form of domination and social organisation independent from them. This separation is understood in his contribution to the state derivation debate as a mode of existence, and a mode of motion, of social relations; the state is understood as a form of the social relations of production.

Although Hirsch's (1978a) reasoning implies that the relation between structure and class struggle is not externally related but an historical process (a dialectic relation) between object (historical result of class struggle) and subject (class struggle conditioned by and transcending its own historical premise: Lukács 1971), he failed to follow through this inner relation between structure and struggle. The potentiality of Hirsch's emphasis on the importance of class struggle in the historical development of the state remained underdeveloped: "The course of capitalist development is not determined mechanically or by some kind of law of nature. Within the framework of its general laws, capitalist development is determined rather by the the actions of acting subjects and classes, the resulting concrete conditions of crisis and their political consequences" (Hirsch 1978a, p. 74-5). The tension between objective law and struggle lies in the term 'in the framework' (see Holloway/Picciotto 1978). Objectivity (objective laws of capitalist development) is juxtaposed to class struggle and the disarticulation of class struggle from objective laws ('in the framework of') subordinates class struggle as a motor of history to a predetermined, objectively given, development of capitalism. Hirsch's structuralist approach to the state is much more clearly expressed in his conceptualisation of political power. Hirsch emphasised that the state is a field of power relations determined by the balance of class forces within objectively given patterns of development. This view is reminiscent of Poulantzas (1974) (6).

Jessop's (1983,1985,1986a,1988a,b) contribution to the 'dialectic between structure and process' attempts to build on, and to develop, Poulantzas's approach in response to its critics by arguing for a 'conjunctural' (or 'relational') approach to the relation between the political and the economic, equating, in its most extreme version, not only struggle with strategy, but class struggle with capital strategies (see ibids.). This understanding fosters an understanding of Thatcherism as an hegemonic project that breaks with the past by developing towards post-Fordism (see Jessop 1986b). Thatcher is said 'to have known instinctively that there could be no way back to the old Keynesian welfare state' (see Jessop 1986b, p. 8). This personalised understanding of the development of the state disclaims an understanding of the state as a political form - complementary to the economic form - of class struggle because complex historical phenomena "are best analysed as a complex resultant of multiple determinations" (Jessop et.al. 1988, p. 53). Once social 'form' is not understood as 'mode of existence' of the social relations of production (Marx 1973,1983), one is left with the understanding of social relations as economic relations, while the political relations have to be theorised in relation to the economic as relatively, if not radically, autonomous from the economic (see Jessop 1986a)(7). The constitution of social reality, in Jessop, follows the "independent logics of political and ideological domains", forcing the scientific mind to follow, in descriptive terms, the strategic line of capital in the face of "various dilemmas, risks, uncertainties and complexities", emergent strategies, trial and error techniques etc. (Jessop et.al. 1988, p. 8). Jessop sees Thatcherism as an interplay of 'trial-and-error policies which coincide with relative autonomous forces of the market' (Jessop 1986b, p. 8), an interplay which is seen as having put Thatcherism into the direction of post-Fordism (ibid.). Class relations are reduced to one (strategic) mechanism/ cause amongst others (social relations of production as comprising economic relations) so that the material world of capitalism emerges as a systematic cause of capitalist struggle. Jessop claims that the interplay of objective laws of capitalist development and the hegemonic struggle of different capital 'logics' provide mechanisms that melt different social systems together in terms of a corresponding social cohesion of ideological, political and economic patterns, patterns of a systematic kind, objectively unfolding and framed in a voluntarist fashion (Bonefeld 1987b;Clarke 1983). These logics derive from different allocation interests and exist independently from class (see Psychopedis 1990).

Hostile to form analysis, while proclaiming in its favour, this approach acknowledges contradictions merely in terms of 'structures'. The constituting power of labour is thereby dismissed. The understanding of contradiction internal to domination is pushed into oblivion. The consequence of Jessop's equation of capitalist strategies with class struggle is the dismissal of an understanding of history as an history of class struggle. Instead one has to embark on an individualistic analysis of effect and result, the conceptual depth of which is "the theoretical capacity to penetrate beneath the actual course of events of more fundamental mechanisms and causal powers which generate these events in specific circumstances" (Jessop et.al. 1988, p. 28; see also Bhaskar 1989, p. 2). Consequently, Thatcherism can be approached best by a 'polytheist' approach, because there are many multiple causes and effects and 'hence many Thatcherisms' (Jessop et. al. 1988, p. 9). Such a conceptualisation of social reality carries within it the danger that it is in the end tautological: first of all the outward appearance of reality is taken for granted (multiple causes), and then it is in the light of this outward appearance of reality that social development is assessed (see Gunn 1989,1990). To take the outward appearance of reality as the conceptual starting point without insisting on the social relations that constitute social reality runs the danger of finishing conceptually where the theorising of the critique of political economy starts.

The merit of the debate on the (post-)Fordist state is that it aims at providing a materialist account of the changes that have taken place within the state and the economy and that it aims at discussing these changes as ones within social reality as a whole. Further, the (post-)Fordist debate signals the development of important political and social trends which are, however, generalised into a sociological model whose pure form is said to be progressively disclosed by history (see Bonefeld 1987b). The disarticulation of structure and process dilutes the value of the at times rich insights into the contemporary development of the state. In the event, the post-Fordist approach to the development of the state is at best descriptive and suggestive (see Bonefeld 1987b;Gerstenberger 1989;Bonefeld/Holloway 1990).

IV Another explanation of the rise of monetarism that looks at the economic crisis and that sees monetarism as a capitalist response to this crisis, is put forward by, inter alia, Ingham (1984) and van der Pijl (1984)(see also S. Pollard 1982). Their general line of argument is to identify Keynesian inspired regulation of capitalist reproduction as being in the interest of industrial capital (demand management, budget deficit financing of the realisation of profit and subsidies to industry) and opposed to the interest of financial capital. Monetarism, on the other side, is identified as a regulation of capitalist reproduction that serves the interest of financial capital, discriminating against industrial capital. The rise of monetarism is discussed as an outcome of confrontation between distinct capital fractions (i.e. industry versus finance). Monetarism is seen as reflecting the 'structural dominance' (cf. van der Pijl 1984) of financial capital over productive capital, a dominance which sparked off the crisis in the 1970's and which undermined Keynesian industrial policies. Although the crisis of accumulation took the form of a financial crisis (see chapter III) whose resolution (policies of deflation) sacrificed, to a large extent, productive activities 'on the altar of money' (cf. Clarke 1988a), the model of fractional confrontation is too simple. Further, this approach sees the divide between financial and industrial capital as one which marks the exceptionalism of post-war Britain: i.e. the City as an international centre of money capital opposed to the interest of British based industrial capital (see Ingham 1984; S.Pollard 1982)(8). The problem seems to be the incompleteness of the organisation of capital in Britain (see Anderson 1987). The global crisis of accumulation is disregarded and reformulated as a problem of the British national economy, while the international mode of existence of capital is dismissed by seeing capital in purely national terms and by seeing the international character of capital as a combination of domestic capitals (for critique of such a view see v. Braunmühl 1978).

The fractionalist approach assumes an independence of different capitals, whose difference, however, exists only in and through the specific role they perform within the circuit of 'social capital' (cf. Marx 1978), i.e. the way in which they relate to surplus value production (see Clarke 1978). The separation-in-unity of the different forms of capital in their relation to labour is negated to a mere separation. The separation mentioned is discussed in institutional terms. The structural dominance of financial capital is equated with the powers of the banks that starved out British industrial capital from financial investment. To discuss the power of money as the power of banks is to lose sight of labour as the substance of capital to which money relates in a self-contradictory, but, nevertheless, immediate way (money as incarnation of wealth in the form of the abstract category of labour). Industrial and money capital are different moments of the social reality of value. Industrial and money capital share the same interest, i.e. profit. Profit, however, exists only as a mediated form of exploitation in production. Additionally, financial institutions achieve the bulk of their profit from concentrating savings which are, in turn, made available for commercial or productive purposes through credit (see Altvater et.al. 1975). I shall argue that the "conflict between finance and industry is not so much a conflict between fractional interest as an expression of the contradiction inherent in the capitalist mode of production between the tendency for capital to develop the forces of production without limit, and the need to confine production within the limits of capital" (Clarke 1988c, p. 3). Lastly, the systematisation of different capital fractions seems to be empirically misleading in the face of a growing interlocking between industrial and money capital (stock holdings and the engagement of industrial capital in financial activities)(9).

The monetarist attempt to regain control over the money supply is not just a policy in the interests of money capital, but in the interest of capital in general because it aims at maintaining the existence of value in its most abstract form. The destruction of the credit system would lead not only to a rupture of monetary accumulation, but to a severe rupture of social reproduction as a whole. The fundamental question is not that of the financial interest of the City, but that of the expansion of the self-contradictory circuit of (social) capital on the world market (v. Braunmühl 1978). The fundamental question is not that of the dominance of money capital, but that of the explanation of this dominance. The fundamental question is not that of the supposed exceptionalism of Britain, as discussed in this approach to the rise of monetarism in Britain, but that of the integration of the British economy into the world market (Clarke 1988c).

Regarding the state, its existence is reduced, by the approach just discussed, to an entity external to the economy. If it is the case that the monetarist reconstruction of the state has undermined productive activity by subordinating industrial capital to the power of money in a way which mitigated against national interest (erosion of productive base), and which subordinated the state to the power of the banks (see S. Pollard 1982;Ingham 1984), why then was it impossible for the state to subordinate money capital to the interest of the national economy and to the regulative power of the state? The answer provided by this approach is reminiscent of Miliband's (1969) conspiracy theory and Poulantzas's (1974) structuralist reasoning, both of which stress different aspects of the same fundamental treatment of the state: the state is merely seen as a field that reflects the structurally dominant capital interest, a field capital has to occupy to structure particular state functions required for the processing of its interest. The state is not seen as mode of existence of the social relations of production.

The merit of this approach is to focus attention on the financial form of the crisis and the (self-contradictory) constitution of the crisis in the form of a tension between monetary and productive accumulation within the circuit of social capital.

The autonomisation (Verselbständigung) of monetary accumulation is, as I shall argue in Chapter III, a mediated form of the crisis of capitalist overaccumulation. I shall argue that the state's response to the crisis of social reproduction in the form of capital is mediated through monetary pressure on the state. In turn, I shall argue that the money power of capital is mediated through the state. The money power of capital manifests the fundamental level of the class struggle over domination.

V The profit squeeze approach (see Glyn/Sutcliffe 1972;Glyn/Harrison 1980; Armstrong et.al. 1984 (10);and for a discussion of the state in relation to the profit squeeze see O'Connor 1973, 1984;Gough 1985;see also Hirsch 1978b) discusses the crisis of accumulation in terms of the confrontation between capital as a whole and the working class. The working class is said to have achieved a growth in wages that outstripped the rise in productivity. Additionally, the achievement of the working class in realising its aspiration towards a growing living standard, as institutionalised in the Keynesian guarantee of welfare and full employment, is said to have coincided, by the end of the 1960's, with an intensified competition between capitalist nations. As a result, increases in wages could no longer be compensated for by increasing prices of commodities, if the British economy was to maintain its integration into the world market. Inflationary pressure made it no longer tenable for capital and the state to allow labour further gains in living standards. The crisis of accumulation is seen as one of profit. In order to restore profitability, capital is said to have been forced to undermine the bargaining position of the working class through rising unemployment.

The merit of this approach is that, in contrast to the other approaches mentioned above, it sees the development of the economic and the state as one based upon the class struggle between capital and labour. However, the class struggle between capital and labour is mainly discussed as a distribution struggle (Altvater et.al. 1974;Yaffe 1973). It remains open to question to what extent the growth of wages offset capitalist accumulation since the late 1960's. This is of particular importance for the British working class which, despite its strong bargaining position and industrial militancy at the shop floor, experienced low wage rates relative to other western countries. Further, as discussed by Marx (1983), a rise in wages that outstrips productivity increases, can be regulated by the development of accumulation without triggering a crisis as deep and persistent as the crisis since the 1960's. In the event, the profit squeeze approach puts forward a 'Ricardian' (Altvater et.al. 1974) analysis because capital's crisis is seen as consequent upon the distribution struggle between capital and labour over the division of the social product between them (Altvater et.al. 1974;Yaffe 1973). Contrary to the simplistic view of the profit squeeze, the crisis of accumulation is best approached by seeing it as a crisis of surplus value production, in the course of which the unfettered accumulation of capital reaches its barrier to self-valorisation (overaccumulation of capital). Competitive pressure forces each individual capital to seek constantly to revolutionise the productive forces of labour, a pressure that intensifies in a period of overaccumulation. The class struggle since the late 1960's has focused on the recomposition of control over labour as capital, in order to avoid devaluation and bankruptcy, seeks to break the resistance of the working class in opposition to intensified exploitation and to a policy of state austerity. The profit squeeze sees this recomposition as a general attack on the working class. Contrary to the profit squeeze approach, monetarism did not simply involve a frontal attack on the working class, but, rather, a political reinforcement and exploitation of the division within the working class (Clarke 1988a).

In their approach to the state, O'Connor and Gough concentrate on the political economy of state expenditure. "According to O'Connor the growth of state expenditure is both the cause and effect of growing monopolisation as the state increasingly takes on the costs of 'social investment' and 'social consumption' on behalf of the monopolies, reinforcing the socialisation and monopolisation of production" (Clarke 1990b, ms. p. 13). O'Connor adds to the political stabilisation of capitalist accumulation the political function of generating political legitimation of accumulation. The legitimating role of the state is associated with the maintenance of accumulation, integrating the working class through full-employment and income guarantees. The contradictory character of the state derives from the financial constraints and the class struggle over the distribution of wealth. The legitimation of accumulation through material concessions is seen as having come up against its historical barrier as the crisis of profitability eroded the tax base of the state. This erosion put the state under immense monetary pressure as growing pressure on state expenditure exceeds the state's revenue. The erosion of the tax base made it more and more difficult for the state to uphold its integrative mechanisms. Hence O'Connor's use of the term 'fiscal crisis of the state'.

In this approach, the state's economic and legitimating policies are seen as resulting from the distributive struggle between capital and labour, and the legitimating functions of the state are mainly derived from its economic function. The state is not seen as a self-contradictory mode of existence of the class antagonism between capital and labour. In general terms, the state is largely understood in an economic-reductionist fashion. The state is seen as being severely constrained by the functional requirements of productive accumulation. At the same time, the state is determined by the class struggle (see Clarke 1990b). The struggle, however, is conceived of as a distribution struggle. The merit of this approach is to focus on the monetary constraint over the state. My thesis contends that the crisis of Keynesianism is partly a financial one, but only insofar as this financial crisis is seen as a manifestation of the contradiction between the unfettered expansion of social reproduction and its subordination to the reproduction of capital.

In what follows I discuss Clarke's and Holloway's contribution to the contemporary development of the state.

VI Clarke (1988a) sees the rise of monetarism neither as a political triumph of a specific capital fraction nor as simply reflecting political and ideological changes or economic crisis. The rise of monetarist policies is seen as a culmination of well-established developments of the class struggle since the 1960's. The fundamental level of the class struggle is the money power of capital. The money power of capital is seen as being mediated through the state. The state, as Clarke sees it, was forced to adopt monetarist policies through monetary pressure. This pressure is seen as the power of money in and through which the crisis of overaccumulation of capital makes itself felt to the state. Money is seen as power arising from its social constitution as the most abstract form of private property and as the supreme social power through which social reproduction is subordinated to the reproduction of capital. The crisis of accumulation involves the state in a mediated way, mediation of the crisis of overaccumulation in the form of the power of money, because the state is directly integrated into the circuit of money capital through its role as central banker. The state, rather than providing policies which resolve the crisis of accumulation, reproduces the contradictions of capital in a political form. Keynesianism and monetarism implement contradictory policies that seek to regulate the crisis from one or the other pole of the self-contradictory unity of monetary and productive accumulation. Clarke discusses the monetarist reconstruction of the state as an intensely contradictory process. However, this contradictory process is seen as having at its heart the recomposition of the role of the state vis-á-vis capital and the working class. This recomposition is said to involve the subordination of the working class to the centrality of the power of money over the conditions of life.

The state is seen as being determined not by the 'subordination of the state to interests that arise in civil society, but by the radical separation of the state from civil society and the formal character of state power that is the essential characteristic of the capitalist state form'. The subordination of the state to the money power of capital is seen as imposing limits to the achievement of social reform through the state. The process of the state is seen as one of class struggle, in the historical development of which the working class is seen as being politically processed not on the basis of class, but of citizenship. The monetarist-led reconstruction of social relations on the basis of the market is seen as a process of reasserting domination through the monetary decomposition of class relationships on the basis of citizenship.

Clarke's 'intimidatingly good analysis' (Holloway 1989) of the form of capitalist society as process of class struggle, and his analysis of the crisis of Keynesianism, contains some weaknesses. The reference to the struggle over capitalist domination over the production process remains somewhat underdeveloped. This has implications for the treatment of money as social process of domination and for the analysis of the class struggle. The downplay of the relations within production leads to a discussion of money, as the form of value's most elementary and abstract existence, which lacks conceptual anchorage because the substance of value, of which money is only a form of existence, is not sufficiently discussed. This is a weakness because Clarke sees the direction given to the development of the state as one 'deriving' from monetary pressure. The neglect of the production process leaves, by implication, the working class in a somewhat shadowy position vis-á-vis capital and the state. Although Clarke stresses that the state is always the object of the constant force of class, the historically changing composition of the working class remains unclear. Clarke argues that the labour movement was defeated in Britain, as well as internationally, by the early 1980's. At the same time, however, he argues that the crisis of capitalist accumulation has intensified during the 1980's. This argument involves a paradox because his argument contends that capital is a social relation and hence the historical development of capital and the state a movement of contradiction in and through labour. Hence he seems to agree that it is the power of labour which is the other face of the capitalist crisis of domination. On the one hand we have capital's crisis that has not been overcome because of labour and on the other hand we have labour that has been defeated in the early 1980's. How then is it possible that capital is still in deep crisis while labour has been defeated? Is capital in crisis with itself;

independent from labour, as capitalist logic approaches seem to suggest (11)? A possible answer to this paradox may be that Clarke is not clear enough in his conceptualisation of the development of the self-contradictory form of the state. Clarke emphasises that the state is a form of the capital relation - complementing the economic form - and that the form of the state is an historically specific form of struggle and domination. However, it is not clear whether the state is conceived of as a self-contradictory form of the 'presence of labour in and against capital' (see chapter II). I would suggest that Clarke puts too little emphasis on this aspect, resulting in an inadequate discussion of the class struggle over capitalist domination over labour for the purpose of exploitation.

The merit of Clarke's approach is that class is seen as primary for understanding the movement of the self-contradictory mode of existence of capital and the state. I intend to pick up on Clarke's understanding of the development of the state as a form-determined self-contradictory process of class struggle while stressing, however, the existence of the state as a historically specific form of domination in and through labour. However, I discuss this struggle predominantly in conceptual terms, concentrating on the movement of the contradiction of capital as one constituted by the presence of labour in and against capital. I shall assess Clarke's conceptualisation of the relation between capital and labour in my conclusion (chapter VII).

VII In his review of Clarke, Holloway (1989) claims that the 'key to understanding the development of the state is the struggles around production'. Holloway contends that the 'crude, but basically correct discussion' in his article on Nissan (Holloway 1987) is of vital importance here. Holloway's (1980;Holloway/Picciotto 1978) contribution to Marxist state theory discusses the state as the political mode of existence of the class antagonism between capital and labour. The emphasis on the class relation involves an understanding of the state as an historically specific form of struggle and domination (Holloway 1979/1990, 1980), the determination of which is seen as rooted in the rule of value. Value is understood as class relation. The capitalist state is conceptualised as the political form of the rule of value, that is social reproduction in the form of capitalist domination (12). Holloway/Picciotto sought to go beyond the prevailing functionalism and structuralism in state theory (Hirsch/Jessop) by emphasising that the development of capitalism and the state does not follow pre-given objective laws of capitalist development; rather these laws are themselves understood as forms which class struggle assumes under capitalism. Contrary to Negri (1987a), the state is not seen as a guise assumed by capital, a machine through which the collective will of capital is imposed on the working class, but as a self-contradictory mode of (political) domination in and through labour. The key to understanding the state is to see it as separated-in-unity from the economic and to conceptualise the relation between the two as the class struggle of capital and labour. Hence the state is seen as a distinct moment of class struggle and not as an entity external to struggle. This understanding rejects seeing the state as a structure that is functionally required to regulate accumulation. Instead, the separation of the state from society is seen as a process of class struggle, rather than as an accomplished fact (Holloway 1980). The class struggle is seen as constantly challenging and undermining the composition of the form of the state within the limits of its own form-determined mode of existence. The composition of the state expresses the historical limits the class struggle imposed upon the state and capital. This understanding of the state has the merit of going beyond the functionalism and structuralism of Poulantzas (for critique see also Clarke 1977) and the state derivation debate, and of rejecting economic reductionism of capital logic approaches to the state (see Altvater 1972, 1977).

My approach to the state relies, to a large extent, on Holloway's contribution to Marxist state theory. Holloway's (1979/1990,1980) weakness lies in his differentiation between the form of the state (as social relation) and the state apparatus (i.e. the state's content as an institutional expression of the balance of class forces, a content designed to disorganise class on the basis of the individual). In my thesis I will make no such differentiation; the form and content of the state will be discussed as comprising a dialectical unity. I shall assess the problematic differentiation between form and apparatus in my concluding chapter.

In his recent writing, Holloway (1987,1988b) reduces the complex and contradictory relation between the economic and political to a unity. The striking parallels that Holloway sees between changes in the managerial strategy and changes in the character of the state, remain unexplored to the extent that the struggle around production informs in immediate terms changes in state policy. This unity (or immediacy; for critique see Gunn 1989) appears to reject the idea of the self-contradictory form of existence of the state and the separation-in-unity of the state vis-á-vis the economic. While Clarke concentrates on the mediation of the crisis of domination in production in the form of the development of the most elementary existence of value in the form of money, discriminating against the conceptualisation of crisis of domination in production, Holloway stresses the other side of the coin, without this consideration allowing for an understanding of the role of money in this development. In the event, Holloway's recent understanding of the relation between the political and the economic tends to repeat, from a different angle (unity as unmediated existence of struggle), the shortcomings of the debate on (post-)Fordism which stresses the aspect of unity as one of structural integration on the basis of the unfolding of objective laws of capitalist development.

Holloway concludes that the change in the managerial strategy from Edwardes to Day at British Leyland, i.e. the change from attack on the working class to 'working with pride', is associated with a changing tide at 'the political level' towards a more human face of state policy with or without Thatcher (Holloway 1987, p. 161). Does this particular change in managerial strategy, a particular managerial strategy amongst others not all of which were characterised by 'macho management' (see Hyman 1985b), indicate an immediate reflection in state policy?; and is, by implication, the reconstruction of the state under Thatcher resolved, making it possible to impose capitalist domination in and through the state in a human face? Holloway's answer is no (see Peláez/Holloway 1990). If not, why not? Holloway seems to me to avoid an answer by reverting into an essentialist understanding of class struggle (Gunn 1989, p. 114, fn. 4). In Holloway (1987,1988b), the conceptual understanding of society retreats to an unmediated totality of class struggle. Holloway's insistence on the 'immediacy' of class struggle establishes a dualism between class struggle and the forms assumed by class struggle. By arguing that class struggle is immediately opposed to capital, Holloway separates class from the forms in and through which the class antagonism exists. To deny the aspect of <u>separation</u>, as Holloway seems to do in his Nissan article, is to advocate an essentialist reading of class struggle.

The way in which I want to pick up on Holloway's contribution to the contemporary development of the state is by proposing a different reading of Holloway's Nissan article, a different reading hidden between the lines of his argument. As it seems to me, Holloway seeks to utilise aspects of the (post-)Fordist discussion, which stress that the crisis of accumulation is a crisis of social reality as a whole. Contrary to the structuralism and functionalism (see Holloway 1988a) of the debate on (post-) Fordism, Holloway seeks to take issue with the notion of unity of the class struggle: the state and management are distinct moments of the same class struggle. This unity, I agree with Holloway, needs to be theorised in order to understand the connection between struggles in production and the recomposition of the form of the state. The breaking of resistance of the main strongholds of working class power was of crucial importance to the development of the state. Reading Holloway in this way is fruitful because the theoretical problem is posed of how to understand the unity between distinct forms of struggle, distinct forms which, however, existed only in a dialectical process of discontinuity and continuity, or, to put it differently, in a unity-in-separation.

III Summary

The aim of the thesis is not to provide an empirical study of policy formation and implementation but, rather to theorise in an abstract manner the historical development of the changing relation between the state, capital and the working class and the recomposition of the role of the state within this relation since the mid 1970's. The analysis will be in conceptual terms first and empirical terms second. The aim of the thesis is to rework the open Marxist debate in the context of the contemporary development of the British state. The thesis does not aim at providing an assessment of, or contribution to, existing Marxist approaches to 'Thatcherism'. Rather, the aim is to rework the development of the state over the last fifteen years, and in particular since the Conservative shift to power, through an understanding of the state as a mode of existence of the contradictory unity of surplus value production. The crisis of Keynesianism and the rise of monetarism, according to my understanding of the capitalist state, was not a reflection of political and ideological changes (S.Hall;Hobsbawm), nor merely the result of economic crisis (profit squeeze;fractionalist approach), nor a consequence of the interplay of economic crisis and the disintegration of the regulative structure of the post-war period (regulation approach;(post-)Fordism), but a process of the self-contradictory form of the capitalist state in the face of a global crisis of accumulation. The contradictory existence of the state is constituted by the class antagonism, the movement of which is being determined by the outcome of the class struggle. The relation between structure and process will be discussed as an internal one. This understanding of the state as social form and process of class struggle is based on aspects of the state debates in the 1970's (13).

The attempt to understand the development of the state as a form-determined social process is made difficult by the lack of literature that tackles the contemporary development of the state as one of a form-determined process of class struggle. This lack of literature poses questions concerning the use of literature.

Literature will be used because it provides a pool of empirical data, interpreted in a somewhat Marxist fashion. Further, I shall use the insights (merits) of the approaches as discussed above. These insights, however, will be reformulated within my own theoretical approach. As I see it, all the approaches introduced, except the ones by Clarke and Holloway which provide, in my view, a rich understanding of the development of the state, concentrate on particular (real) phenomena. These phenomena are, however, discussed in disconnection from the social contradictions of surplus value production. While all these approaches do relate to different aspects in which the crisis of social reproduction expresses itself, they downplay the displacement and constitution of class antagonism within the proper movement of the contradictions of surplus value production. The insights of this literature will hence be reformulated in terms of the social form of the class antagonism of capital and labour. I shall take issue with this literature in an immanently critical way. However, this discussion will be restricted to footnoting and the concluding chapter. The literature will hence be used in a two-fold way: as a resource of empirical studies and as a resource of Marxist interpretations of historical developments. The underlying assumption of the thesis is that a Marxist inspired analysis of the development of the state has to treat the development of the state as one of class conflict. This understanding is related to the work of, inter alia, Agnoli, Clarke, Holloway and Gunn. The use of this literature provides a point of reference and a challenge as regards clarifying my own argument.

IV FORM OF PRESENTATION

Chapter II outlines my conceptualisation of the form of the state. The term 'presence of labour in and against capital' will be introduced as a concept that stresses the internal relation of structure and process, a relation which is substantially determined by the social relations of production. Further, the chapter introduces the following concepts: class,value, crisis, world market, money, credit. Particular attention is given to the relation between productive and money capital and the relation between money and the state. All these phenomena are understood as existing in a self-contradictory way, the contradiction being constituted by the power of labour that pertains in these phenomena in a mode of being denied. The movement of the contradiction is determined by the class struggle (14).

Chapter III looks at the crisis of accumulation, the (real) expression of which is mass unemployment and the self-contradictory autonomisation of monetary from productive accumulation. In a first section, the analysis focuses on the constitution of the crisis in the form of a tension between functioning capital and the credit-system. Particular attention is given to the development of international money markets. In its second section, the chapter shows the way in which the money power of capital reasserted itself over the state and looks at the way in which the British state is integrated into the world market. Particular attention focuses on the break-down of Bretton Woods, the debtor crisis and the crash in 1987. It will be shown that monetarism is a moment of the monetary expression of the crisis, an expression which is real as the abstract existence of value in action: money-in-command.

Chapter IV gives a brief account of the development of the class struggle over the form of the state during the 1970's. This chapter is largely descriptive because the focus of the thesis is the development of the state under Thatcher. The 1970's are of importance in order to understand the development of the state during the 1980's and to understand the continuous/ discontinuous line of recomposition which did not just start with Thatcher taking office. I shall show that the rise of monetarism is precipitated by the failure of Keynesianism to contain the class struggle. Further, I shall argue that the main features of the development of the state during the 1980's were already present during the 1970's.

Chapter V engages with the development of the state during the 1980's. Attention focuses on the recomposition of the role of the state vis-á-vis capital and the working class. I look at the economic policy of the Thatcher government in the early 1980's, trade union policy, training schemes, and the restructuring of the welfare state. The main conclusion will be that the development of the state did indeed reflect the crisis of accumulation, but that it did so in a self- contradictory way, the contradiction being determined by class struggle. I conclude that the monetarist institutional strategy involved the monetary decomposition of the working class and its recomposition on the basis of the categories of property owner and citizen. However, I shall show that monetarism's practice contradicted its results.

Chapter VI summarises the argument of my thesis and suggests conclusions.

Chapter VII reworks the Marxist debates introduced above, looks, in the context of my analysis, at the implications for 'form-analysis', and assesses my theoretical approach.

NOTES

1: On Open Marxism and on an assessment on 'closed' Marxism see Agnoli 1980;Bonefeld 1987a;and the introduction in Bonefeld/Gunn/Psychopedis (eds.) 1990.

2: Offe's (1972,1984) and Habermas's (1973) discussion on the 'legitimation crisis' of 'late capitalism' reflects the problem discussed by Agnoli.

3: Crudely speaking, a regime of accumulation refers to the "systematic mode of distribution and reallocation of the social product" based on a particular kind of use of technology in production and a long-run "correspondence between the changing conditions of production (...) and the changing conditions of final consumption" (Lipietz 1985a, p. xvi). The term ' mode of regulation' refers to institutional forms, networks and implicit and explicit norms which ensure the reproducibility of a regime of accumulation: actual pattern of social relation corresponding to the systemic character of a regime of accumulation (see Lipietz 1985a,b).

4: See also the collection of papers edited by Bonefeld/Holloway 1990

5: Some of the following arguments are published in Bonefeld 1990a

6: In Poulantzas (1980), the discussion moves into the direction of the state derivation debate without, however, overcoming the problem at issue in structuralism.

7: Jessop conceives of the law of value as a mechanism of distributing available labour power between the various branches of production which, in turn, exercise functions in the production process (for a similar view see Althusser 1975, p. 167;1977, p. 87). This understanding of the law of value as a law of the social distribution of labour tells us nothing about the particular social forms assumed by labour. 'Such a method can only identify static structures, and is forced to pose a qualitative change as a sudden discontinuity, a quantum leap between structures; and not as a process, a qualitatively changing continuum' (Elson 1979, p. 141). Jessop's understanding of the law of value is formal (causal relations) and lacks explanatory power. We are left with a technicist reading of the law of value.

8: Van der Pijl (1984) applies his analysis globally, rejecting, thereby, the identification of an international phenomenon with a supposedly national problem of incomplete capitalist rule.

9: The first major study of this development was undertaken by Hilferding (1910/1981).

10: On the difference between Glyn/Sutcliffe (1972) and Glyn/Harrison (1980), see B. Fine 1981.

11: By a capital-logic approach I understand a one-sided emphasis on capital "as the 'dominant subject'" (Elson 1979, p. 174,fn. 9). Taking capital as a one-sided abstraction falls into the illusion of conceiving social reality as a product of a dominant logic (capital) that is (relatively) unchallenged by the substance which constitutes this 'logic': living labour as the substance of value, and hence of capital.

12: Some of the following arguments are taken from the introduction in Bonefeld/Holloway 1990.

13: On the state debate see the volumes edited, with important introductions by, Holloway/Picciotto 1978 and Clarke 1990b.

14: Parts of this chapter have been published in Bonefeld 1990a.

CHAPTER II

FORM AND CONTENT OF THE CAPITALIST STATE

This chapter introduces my conceptualisation of the form of the capitalist state. The capitalist state will be discussed as determined by its social form (class antagonism of capital and labour) and as historical process of class struggle. Instead of the apparent 'autonomy of the state' (however relative it may be; and however much it seems to justify a particular degree of 'relatively')(1), the political and economic will be discussed as constituting a contradictory unity. This unity does not exist as a monolithic bloc but as a movement of contradiction. The development of the contradiction is determined by class struggle. The chapter is divided into three sections. The first section looks at the constitution of social reproduction in capitalism. There then follows a section on the form of the capitalist state. The concluding sections looks at the relation between the state and the money power of capital.

I Social Form and Differ ence-In-Unity of the Political and the Economic

Following Marx (1973), the social phenomena (e.g. economy and state) around us have manifold determinations. The task is to trace out "the inner connexion" (Marx 1983, p. 28) between social phenomena, so as to establish the 'inner nature' (cf. Marx) of their relation. To trace out the inner connection between social phenomena is to search for the substantive abstraction (see below) which constitutes their social reality as interconnected, as complex forms different from, but united to, each other. In order to theorise this interconnection, the theoretical approach has to specify the historical process which constitutes the common element that makes social phenomena different from each other in unity. The attempt to understand the 'inner nature' of social existence relates to a way of thinking which moves within the object (social-historical form of human relations) of its thinking. Dialectics does not proceed to its object from outside but from inside as it attempts to appropriate conceptually social reality in its proper motion (Negt 1984). Dialectical thinking conceptualises itself within, and as a moment of, its object (Lukács 1971;Gunn 1987a,1989,1990). Such a conceptualisation of social existence seeks an understanding of the apparently isolated facts of life as comprising a mode of existence of social relations. "While in the completed bourgeois system every economic relation presupposes every other in its bourgeois economic form, and everything posited is thus also a presupposition, this is the case with every organic system. The organic system itself, as a totality, has its presuppositions, and its development to its totality consists precisely in subordinating all development to itself, or in creating out of it the organs which it still lacks. This is historically how it becomes a totality. This process of becoming this totality forms a moment of its process, of its development" (Marx 1973, p. 278). Such a reasoning implies an internal relation between conceptual and historical analysis.

Every phenomenon exists only in relation to other phenomena, or, in other words, exists only in and through other phenomena. Every phenomenon exists only as a movement of contradiction, that is as a movement of its own historical constitution. Hence the question of determinate negation or social form of human relations: what constitutes the relation which makes it possible for phenomena to exist side by side in an apparently independent manner but nevertheless through each other?. What is the historical determination which constitutes them as in a relation of mutual dependence and determinate negation, a relation which makes an independent existence for each impossible? Hence the economic and the political, although seemingly existing independently from each other, stand to each other as moments of one process. This understanding raises the question of the social relation which suffuses their existence qua contradiction within their respective forms and in relation to each other. According to this argument, diverse phenomena, such as the state and the economy, do not exist as externally related entities one of which is determining and/or dominating the other, but as forms of existence of the relation which constitutes them. The question arising here concerns the substantive abstraction that makes particular forms (e.g. the political and economic) different from each other and which, at the same time, unites them and hence relates them to each other as complementary forms of social existence. Substantive abstraction is thus the inner nature of social phenomena themselves; their constitution and process. In Marx, the substantive relation which constitutes the relation between things as a contradictory relation of historical specificity and which bathes all social phenomena in a certain historical form of existence in bourgeois society is the social relations of production, that is the class antagonism between capital and labour. Social phenomena are thus constituted as modes of existence/motion in and through which class antagonism exists. This argument will be taken up in less abstract terms below.

Marx's starting point is the social determination of labour. Labour was seen by

Marx (1973, p. 361) as the "living, form-giving fire; it is transitoriness of things, their temporality, as their formation by living time". The constituting power of social existence is labour. The general determination of labour needs to be specified in its historically concrete form. By conceptualising from the indifferent (labour as fluidity) to the determined (social form of the fluidity of labour) and from the formless (general fluidity of labour) to the formal (historical and social specific form of fluidity) (see Elson 1979, p. 129-130), Marx understood labour, in capitalist society, as specified by abstract labour (universal ability and capacity to work, homogeneous labour). In capitalism, the category of abstract labour exists in and through the exchange of commodities. The historical specificity of the constituting power of labour in capitalism concerns the (contradictory) unity of exchange and production, that is, the exchange of commodities through which private labours are reduced to their common substance as abstract labour. The substance of value is living labour commanded by capital for the purpose of exploitation. The appropriation of somebody else's labour involves, in turn, the measurement of the product of labour in terms of money. It is through the social power of money that social reproduction is subordinated to the reproduction of capital. "The capitalist mode of production is not distinguished by the existence of surplus labour, or of abstract labour or the value form, but by the integration of the value form with abstract labour as the substance of value, and of the labour process with the valorisation of capital, as the appropriation and distribution of surplus labour is achieved through the exchange of commodities" in the form of money (Clarke 1989, p. 136;see also Clarke 1980;Elson 1979;Himmelweit/Mohun 1978).

Money attains generality as the most elementary form of the capitalist imposition of the value form over the conditions of life and as the supreme power in and through which social reproduction is subordinated to the integration of the value form with abstract labour, i.e. the reproduction of capital. Hence the treatment of money as presupposition, premise and result of the social process of value, integrating value and money theory as moments which presuppose and which are the result of each other (Backhaus 1974,1986)(2). In the social process of value, productive, commodity and money capital are forms taken by capital-value in its self-contradictory process of self-valorisation. Capital "circulates in the shape of a constant change of form, its existence is process, it is the unity of its form, it is the constant change between the form of generality and the form of particularity, of money and of commodity" (Reichelt 1978, p. 48). The foundation of this process is living labour as substance of value that assumes social existence in and through the circuit of social capital. The category of abstract labour attains generality in capitalist society as command over labour within the circuit of capital as a whole. The social mediation of this contradiction between abstract labour and the value form constitutes a form of social reality in which the class antagonism between capital and labour is displaced in the shape of market relations (i.e. the imposition of work through the commodity form). This organisation of labour entails a constitution of labour in the form of 'wage labour', defined primarily by the source of its income and as an equal and free exchange relation on the market (Marx 1983, Ch. 19;Marx 1966, Ch. 48). Labour assumes an existence in terms of wage labour, an existence upon which exploitation rests (i.e. value form as formal free and equal exchange of commodities) while it, at the same time, 'eliminates' (Marx 1966, p. 814) the specific character of surplus value production (exploitation). The relations of exploitation are the content of (market) equality expressed in 'money' as the form through which the contradiction, as between equality and exploitation, moves. Monetary equivalence in circulation denies a content which is a content of inequality, a content of social reproduction as domination (exploitation). The constituting power of labour appears as a property of capital to set labour in motion through formally free and equal market relations (see Marx 1973 on capital as being productive). The constituting power of labour inverts into power of capital in so far as capital is able to contain labour as moment of its own social existence. However, the constituting power of capital exists only in and through labour as the 'form-giving fire' of social life. Capital has thus to contain the constituting power of labour so as to reproduce its own form of existence through the confinement of labour to abstract labour and the harnessing of labour as substance of value. The class struggle over the containment of labour as wage labour entails the disorganisation of labour's existence as class, harnessing living labour as a moment of capital. The disorganisation of the class-relationships involves the organisation of labour on the basis of formal exchange equality, i.e. the imposition of work on the basis of formally free and equal exchange of commodities on the market. The integration of abstract labour with the value form is mediated through money. As such, money capital is the "ultimate expression of value"; that is an expression of "capital's ability to impose work (abstract labour) through the commodity form (exchange value)" (Marazzi 1976, p. 92), i.e. through the abstract equality of money as command to work. Rather then being an accomplished fact, the displacement of class to wage labour is a process of contradiction in and through the class struggle itself. Displacement and constitution need to be seen as moments of one process, in which each moment presupposes the other, while each moment is, at the same time, the result of the other - unity as contradiction.

The social antagonism of capital and labour is a relation of classes, and, as a relation of classes, a relation in and against domination and exploitation, or, in other words, a relation in and against the subordination of social reproduction to a reproduction of capital, which, itself, is the suppression of social reproduction for human needs and aspirations. The inversion of social reproduction as reproduction of capital is the commanding power of capital that brings together, and sets in motion, means of production and labour power-a commanding power based on capital's ability to contain labour as a moment of capital's own existence: self-valorisation of value through expanded surplus value production. The relation of classes manifests itself as a contradictory movement between objectification (however alienated in form as social reality of reproduction) and revolutionary separation (as relation between ruled and rulers). This contradiction is expressed in the term 'antagonism' as a mutual dependence of opposing classes (social form of reproduction and objectification in and through exploitation and domination). The contradictory character of oppression, as indicated by the unity of the production process as labour and valorisation process (see Marx 1983), is a substantive one as capital exists only in and through labour. Hence, objectivity (social reproduction) as domination (imposition of work as valorisation of capital). There is no movement outside social antagonism. Social existence is constituted as a movement of contradiction in and through the presence of labour in and against capital. It is the historical development of the contradictory unity of the relation between social reproduction as domination in and through class which constitutes society in terms of a continuous displacement and reconstitution of the 'enchanted and perverted world' of capitalism (Marx 1966, p. 830).

The social relation which constitutes the historically concrete form of labour in capitalist society is the relation between necessary labour and surplus labour, that is, the class antagonism of capital and labour which constitutes the (social) working day. Capital's imposition of necessary labour is fraught with contradictions. "The value of every commodity ... is determined not by the necessary labour-time contained in it, but by the social labour-time required for its reproduction" (Marx 1966, p. 141). Capitalist command over labour is thus characterised by the continuous compulsion to compress necessary labour, i.e. to revolutionise the relation between necessary and surplus labour in order to increase the latter. This compulsion makes itself felt by individual capitals through competition. However, surplus labour exists only in antithesis to necessary labour. It is here that capital's self-contradictory mode of existence becomes manifest in its most intense terms: capital depends entirely on living labour as substance of value, and hence surplus value. The working through of this antagonistic tendency compels capital towards the elimination of necessary labour which undermines the existence of capital as existing only in and through labour. Capital cannot autonomise itself from living labour; the only autonomisation possible is on labour's side. Capital's domination is a crisis-ridden development of its own self-contradictory mode of existence. The working class, for its part, is a moment of this same process of contradiction. The working class exists in and against capital, while capital, however, exists only in and through labour. The contradictory existence of the working class is manifest in its antithesis to capital's command and in its existence as a moment of social reproduction in the form of capital: labour as opposite to capital and as a moment of the latter's existence. Class is not a group of people to whom sociologists assign particular characteristics which, in turn, allows social pigeonholing in terms of ascribed class character. Rather, class needs to be approached as a relation of struggle (Gunn 1987b) in and against domination that denies social self-determination. As a relation of struggle, class, as substantive abstraction of social reality in action, attains a contradictory existence as the movement of transcendence (revolution as process in and against capital in terms of working class self-determination) and integration (reformism in terms of labour as a moment of social reproduction in the form of capital). Transcendence and integration do not exist separately, but as the movement of one process - extreme poles of a dialectical continuum that social practice represents (Negt/Kluge 1971). As extreme poles of a dialectical continuum, transcendence and integration constitute a contradictory process that is open to the process of struggle itself and as such open to the social composition of class (Negri). The class struggle involves, fundamentally, the struggle over the containment of labour's disruptive power to resist the confinement of the living within the forms of capitalist domination. The class struggle involves also the struggle over the containment of labour's productive power that capital seeks to harness as substance of surplus value on the basis of the integration of the labour with the valorisation process.

Understanding class antagonism as a movement of contradiction between dependence and separation and conceptualising social phenomena as a mode of existence and mode of motion of class antagonism, it follows that the contradiction inherent in 'social form' is, at the same time, a contradiction within social phenomena, as e.g. the self-contradictory form of the state; and between social phenomena, as e.g. between the economic and political. It is for this reason that Marxism is neither a theory of oppression/domination nor an economic theory, but a theory of the contradictions of social reality and, as such, a theory of the historical movement of the contradiction of domination. I shall refer to the social relations of production in terms of the presence of labour in and against capital because the latter expresses the meaning of the former in an explicit way. The term in and against seeks to overcome the danger of essentialism inherent in the Marxist tradition reworked in my thesis. The essentialism is contained in the understanding of labour as the constituting power that can autonomise itself from capital. The emphasis on autonomisation involves debates concentrating on the 'revolutionary subjectivity' (Negri 1984) of labour neglecting the forms in and through which labour exists in capitalism. Thereby, labour is taken as a one-sided abstraction. The understanding of labour as merely existing 'against' capital conceives the class struggle against capital as an inevitably unfolding event. Contrary to seeing the relation between capital and labour as a social relation qua contradiction in and through the forms constituted by this relation itself, the insistence of labour as merely 'against' capital dismisses dialectics as a concept that moves within, and is a moment of, its object. The essentialisation of the class struggle involves a dualist view of class antagonism because the internal relation between capital and labour is reduced to a relation of mere opposition. In turn, the understanding of labour as existing against capital involves a conceptualisation of capital as a machine like entity. Capital becomes a logic, defined by certain laws whose irrationality provides oppositional space for autonomist insurrection. It is the pressure of the working class which forces capital into crisis (Negri 1979a). The contradictory unity of surplus value production is thus conceived of as a relation of cause and effect: i.e. the disruptive and revolutionary power of the working class causes disruption and crisis to which, in turn, capital responds by reimposing its domination over labour. The notion of the presence of labour in and against capital effectively says that labour does not exist outside capital. The class struggle does not simply resolve around the issue of working class deconstruction of capitalist command and capitalist reconstruction of its command over labour (Negri 1979b). The class struggle exists only in and against the forms in and though which the constituting power of labour exists qua contradiction. Of course in a sense the class struggle exists in the form of revolutionary separation, but it exists so only as one extreme pole of the dialectical continuum of rupture and reproduction, the development of which is open to the class struggle itself.

On the other hand, approaches that stress that labour exists merely 'in' capital dismiss the antagonistic character of capitalism, neglecting the contradictory relation between transcendence and reproduction. Instead, capital is conceived of as an one-sided abstraction. Such an understanding leads to a structuralist and functional conception of social reality because what really counts are the inescapable lines of tendency and direction established by capital's projects. Labour no longer exists in opposition to capital but is, rather, a part of its own project. In turn, structuralism asserts the subjective in the form of a voluntarist conception of class, i.e. the subjective response to options provided by structural development. Voluntarism and structuralism are theoretically complementary (Clarke 1977, 1978). The thesis of the primacy of the constituting power of labour rejects structuralist and essentialist arguments because they do not see different aspects as modes of existence of the social relation that constitutes them qua contradiction. The notion of the primacy of class antagonism effectively says that structures do not exist. They only exist as modes of motion of class antagonism and hence as social process, and not only as social process but as historical results of the working of class antagonism and hence as historical premises for the class struggle. Of course in a sense structures do exist, but they exist only as modes of motion of class struggle which for its part exists in and through them in the mode of being denied. As such, structures exist as things qua reification of human relations (Holloway 1990b).

In sum, both approaches separate what belongs fundamentally together, that is the internal relation between materiality (constituting power of labour) and form (social reproduction in the form of domination). The problem of essentialism and/or structuralism arises from a conceptualisation that sees labour as existing either merely against capital (essentialism) or merely in capital (structuralism). The notion of labour as existing in and against capital does not provide simply a middle way out of the problem (i.e. the understanding of objective laws but also class struggle). Rather, it stresses the internal relation between the constituting power of labour and the forms in and against which it exists (i.e. the capitalist form). The use of the term in and against seeks to go beyond essentialist and structuralist conceptions of class by stressing the internal relation between materiality and social form. The presence of labour in and against capital is understood as labour's constituting power that exists in a mode of being denied in the capitalist form of social reproduction. The notion 'mode of being denied' stresses the subjective constitution of what asserts itself over the conditions of life as mere thinghood; a contradictory unity in and through the presence of labour which is also a presence in and against capital. Capitalist social reproduction exists only in and through labour's constituting power: hence labour is productive. Labour's power is, however, not just productive but disruptive. Labour's power is disruptive because of its (eruptive) potential for resistance to capital's domination of its productive potential for work. The conflict over the control of the labour process lies at the heart of the development of industrial relations (Braverman 1974;Burawoy 1985;Hyman 1989a;Parker/Slaughter 1990). In English, the concept of 'power' encompasses quite different meanings which are expressed separately in other languages: potentia versus potestas or Vermögen versus Macht. The difference is important as it signals a dialectical continuum of different extremes: While potentia (or Vermögen) is constituting social activity, potestas (or Macht) connotes the social making of history founded on a particular fixed dimension of social reality (Negri 1989, p. 49). As such, when speaking about the 'power' of labour one has to bear in mind its power as a constituting social activity in and against capital, a power which, although connected as an extreme pole of a dialectical continuum, is separate from the power of making history. The notion of labour as existing in and against capital makes it possible to understand the contradictory mode of existence of social phenomena and to conceive the movement of this contradiction as one of class struggle.

In order to understand the internal relation between materiality and form, the notion of the 'substantive abstraction' needs to be characterised more strongly. I argued above that every social phenomenon is placed as a presupposition and premise to each other as a mode of existence and mode of motion of the historical process of the presence of labour in and against capital. Substantive abstraction seeks an understanding of the society's concrete existence and development. 'Substantive abstraction' is not to be understood as the empirical abstraction criticised by Marx (1983, p. 352, fn. 2) as 'abstract materialism': "It is, in reality, much easier to discover by analysis the earthly core of the misty creations of religion, than, conversely, it is, to develop from the actual relations of life the corresponding celestialised forms of these relations. The latter method is the only materialist, and therefore, the only scientific one. The weak points in the abstract materialism of natural science, a materialism which excludes history and its process, are at once evident from the abstract and ideological conceptions of its spokesmen, whenever they venture beyond the bounds of their own speciality". Contrary to empirical abstraction, to abstract substantially is to trace out the inner connection of social phenomena, an inner connection which constitutes social phenomena and their relation to each other as modes of existence of this very inner connection: the presence of labour in and against capital. Whereas empiricist abstraction aims at grounding things by identifying their common essence, substantive abstraction attempts to understand essence as the interrelation between things which is constitutive of those things themselves. Substantive abstraction, unlike empiricist abstraction, exists in and through practice (as the inner form of social relations) and not just in the theory by which the abstraction is made. Hence, the working of substantive abstraction constitutes an abstraction _of and in_ (3), as opposed to an abstraction _from_, social reality - an abstraction which exists as concrete and in practice, through, in and as social reality and as its process. Social form has no existence separate from concrete historical development. The notion of substantive abstraction of society comprises an understanding of the specific historical form in and against which the constituting power of labour exists _qua_ contradiction.

For Marx (1983, p. 106), social antagonism can by itself have no existence. Antagonistic relations express themselves always in forms (value form, money form, form of the state). Form is seen here as the _modus vivendi_ of antagonistic relations and, as such, form is "generally the way in which contradictions are reconciled" (Marx 1983, p. 106). The term 'mediation' (see Gunn 1987c,1989; Psychopedis 1988;Bonefeld 1987c) is of vital importance here since it connotes the mode of existence of a dynamic relation of antagonism which allows antagonistic relations to "exist side by side" (Marx 1983, p. 106). The existence of social antagonism in forms "does not seep away" (ibid.) the inconsistencies of antagonistic relations; rather, these forms constitute the existence of this relation, a constitution which exists historically and has to be analysed in an historical fashion. "The point of the mediation of abstract and concrete is to show that the abstract category of labour _presupposes_ capitalist society (i.e. the abstract element in the notion of labour presupposes the real abstraction of labour _sans phrase_ in this society)" (Psychopedis 1988, p. 75-6). Hence, the interrelation of the logical and historical: "As a rule, the most general abstractions arise only in the midst of the richest possible concrete development, where one thing appears as common to many, to all. Then it ceases to be thinkable in a particular form alone" (Marx 1973, p. 104). Substantive abstraction is a "methodic assertion that one cannot found the categories beginning naively with the 'real' or the 'concrete', but only on the basis of the development of a 'process of synthesis' of the givens of intuition and representation" (Negri 1984, p. 47). This method of theorising works within the proper motion of its object which it has to keep "in mind as the presupposition" (Marx 1973, p. 102). Conceptualising social reality in this way opens up the idea of the world as "nothing else than the material world reflected by the human mind, and translated into forms of thought" (Marx 1983, p. 29). Substantive abstraction seeks an understanding of the constitution and movement of a (self-contradictory) social world in which human relations take on the form of things. The critique of fetishism comprises an understanding of the constituting power of labour as existing in a form in which the presupposition of social existence (labour) is seemingly eliminated (i.e. the thinghood of abstract wealth). The point of the mediation of abstract and concrete is thus to show the way in which labour exists in e.g. the money power of capital as in a mode of being denied, i.e. the subjective constitution of the power of money in and through its reification as a mere thing. The notion of substantive abstraction stresses the constitution of social phenomena as existing qua contradiction, i.e. contradiction internal to domination.

Class antagonism is a logical and, at the same time, an historical presupposition. The social relation between capital and labour is an historical presupposition because the foundation of this relation is the historical struggle which led to the separation of the mass of the population from the means of production and subsistence during the process of primitive accumulation (see Marx 1983). The separation of the labourers from the means of production had to be accomplished historically before capital could constitute itself as the social form determining the conditions of life. The capitalist mode of exploitation and mode of domination rests on this historical presupposition. At the same time, the historical presupposition of the separation of the mass of the population from the means of production and subsistence has to be reproduced during the development of capitalism as the 'sine qua non of the existence of capital' (Marx 1983, p. 536;see also Bonefeld 1988). The historical result of class struggle during primitive accumulation inverts into historical presupposition and serves as premise and precondition for the historical existence of the class antagonism between capital and labour, a premise which has to be reproduced in the motion of capitalist reproduction if the social form of capitalist domination is to continue. From the standpoint of accomplished capitalism, the conceptual approach is bound up with the historical reality of the process of capitalist social-historical existence within its proper motion. This process is determined by the substantive abstraction that illuminates social reality as a mode of existence of the class antagonism of capital and labour. In turn, this class antagonism was itself the result of the historical processes which led to the capitalist form of social reproduction. Hence, the result (capitalist social relations) presupposes its historical generation which, in turn, has to be continually reproduced through the operation of the historical process of capitalism. The latter serves now not as historical result but as conceptual and historical presupposition. This historical presupposition attains generality, from the standpoint of accomplished capitalism, in an inverted form: it would be wrong to let the conceptualisation of forms follow one another "in the same sequence as that in which they were historically decisive. This sequence is determined, rather, by their relation to one another in the mode of bourgeois society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development" (Marx 1973, p. 107). The presence of labour in and against capital as the historical result of primitive accumulation inverts into the historical and conceptual presupposition of the social reality of capitalism. The political, as will be discussed below, inverts from historical process of bourgeois revolution to an historical form determined by the class struggle over the integration of the value form with the category of abstract labour - social form of reproduction as domination.

In sum, the foundation of the social relations of capital and labour, as argued by Clarke (1978,1982), lies outside the economic and the state simpliciter. Or, more precisely, the foundation lies not just outside of the economic and the state, but rather "it suffuses the circuit" (Clarke 1980, p. 10) of capital as social reality. Having said this, it follows that "it is the concept of class relation as being prior to the political, economic and ideological forms taken by those relations (even though class relations have no existence independently of those forms) that makes it possible for a Marxist analysis to conceptualise the complexity of the relation between economic and political, their interconnections as complementary forms of the fundamental class relation, without abandoning the theory for a pragmatic pluralism" (Clarke 1978, p. 42). It follows that political and economic relations imply different modes of motion of the fundamental class antagonism of capital and labour. The political relations do not primarily correspond to, or reproduce, economic relations (the so-called functions of the state for capitalist accumulation). Rather, the political complements the economic as, together, different forms of the same fundamental class antagonism. However, the political complements the economic only in a mediated form as a moment moving within the proper motion of class antagonism. The state is not a state in capitalist society, but rather a moment of the class antagonism of capital and labour (Holloway/Picciotto 1977). The understanding of the political is thus an analysis of the unity-in-separation of different forms assumed by the class antagonism. Lastly, as reality of class antagonism, bourgeois society exists only as a movement of contradiction, the development of the contradiction being determined by the outcome of the class struggle.

What is the social context within which the category of abstract labour attains generality as social reproduction in the form of capital? Capitalist social reproduction is social reproduction in inverted form: private production in a social context. Since the sociality of private production is not a matter of the conscious decision of society, and since the latter exists only in the inverted form of private fragmentation (commodity production), the sociality of private production confronts individual producers as an external and independent thing, which, as argued by Marx (1974, p. 909), is their condition of existing as private individuals in a social context. Hence, labour as substance of human existence in a specific social form. The 'most general abstraction' attains practically existing generality as production of abstract labour, i.e. value. Capitalist production is not use-value production, but value production which, in turn, is surplus-value production (Negri 1984), and not only surplus-value but the social reproduction of the social relations of production (Clarke 1982). In the social process of value, productive, commodity and money capital are forms taken by capital-value in its self-contradictory process of self-valorisation. The existence of labour as homogeneous and quantitative ability to work attains social form as abstract labour within the circuit of social capital. The circuit of social capital exists only as a mediation of the restless appropriation of labour. "If we take all three forms [money,commodity, productive capital] together, then all the premises of the process appear as its result, as premises produced by the process itself. Each moment appears as a point of departure, of transit, and of return. The total process presents itself as the unity of the process of production and the process of circulation; the production process is the mediator of the circulation process, and vice versa" (Marx 1978, p. 180). Thus, the movement of every particular capital is itself only a particular moment of the generality of its form. Value can only be grasped as a movement, and not as a static thing. Considering the movement of value as a mere abstraction is to "forget that the movement of industrial capital is this abstraction in action" (Marx 1978, p. 185). The different forms of value relate differently to labour as the substance of value in and through exploitation. The motion of value exists therefore in the form of a dialectical continuum as production sans phrase (objectification of capital in machinery and hence as immobilised) and, at the same time, as mobility sans phrase (value in the form of money as social incarnation of abstract wealth). This dialectical continuum exists as a process of contradiction within which different forms of value coexist and within which particular capitals transform in a successive movement from one to the other value form. Seeing productive, commodity, and money capital as forms that value assumes in its restless process of expansion, their distinctiveness exists only as unity-in-difference, and hence as a contradictory movement full of inconsistencies.

The transformation of value from one form to the other integrates production and circulation as different moments of one process. Each moment is a result and a presupposition of the other in and through the exploitation of labour. Circulation and production are opposite in unity tearing down the barriers to restless capitalist intercourse, the common interest of which is the "valorization of value as the determining purpose, the driving motive" (Marx 1978, p. 180). The social validation of appropriated labour in circulation implies the social comparison (Vergleichung) of particular capitals in terms of their worth to the dynamic limits of socially necessary labour-time expressed in money (realisation of an average rate of profit). Capital exists as individual capital only within the historically dynamic and changing composition of the social process of value - appropriation of labour in terms of social labour. Particular capitals are only moments of this process, the mobility of which is imposed on each particular capital in and through the fluidity of money capital. The circuit of money capital is, according to Marx (1978, p. 140), the "most striking and characteristic form of appearance of the circuit of industrial capital". Social capital, as the movement of the social totality of value, achieves a real existence in and through the circuit of money capital. The latter is the "form in which the social character is manifested to particular capitals" (Clarke 1978, p. 65).

Money capital is the rational expression of equality, productivity, repression and thinghood (Dinglichkeit) that characterises the determination of wealth as social process of abstract labour. "The general interest is precisely the generality of self-seeking interests. Therefore, when the economic form, exchange, posits the all-sided equality of its subjects, then the content, the individual as well as the objective material which strives towards the exchange, is freedom. Equality and freedom are thus not only respected in exchange based on exchange values, but, also, the exchange of exchange values is the productive, real basis of all equality and freedom" (Marx 1973, p. 245). As an expression of equality, money serves as a moment of exchange that constitutes labour in terms of wage labour. However, the exchange between capital and labour is not just a simple economic exchange on the market. Rather, the wage is not the price of labour as such but of labour power, the ability to work. The realisation of this potential is a process which occurs outside the limits of the market. Hence Marx's vital distinction between labour and labour power. The separation-in-unity of labour and labour power indicates the contradictory power of money, expressing equality as a mode of existence of domination. The concept of money, displaced from the contradictions of surplus value production and, at the same time, the ultimate expression of these contradictions, is a concrete representation of the social reality of class antagonism. Money posits the exclusive form of the self-contradictory existence of the category of abstract labour. "Money has the advantage of presenting me immediately the lurid face of social relations of value; it shows me value right away as exchange, commanded and organised for exploitation" (Negri 1984, p. 23). As a relation of formal equality, money signals the inequality of property relations and represents formal equality as a relation of domination; money expresses the abstract average of capitalist domination. Whether money serves as measure, medium of exchange or capital (see De Brunhoff 1976), it realises and represents the social process of value whose existence appears to be constituted by the property of capital and not by the property of labour as the 'living, form giving fire'. The money power of capital is the most fundamental level of the class struggle. The power of money is collective and abstract. It is collective because of the generality of its form. It is abstract because it is meaningless and, at the same time, the most elementary form of abstract category of labour, its incarnation and its (self-contradictory) negation. Money as form of value measures capital's capacity to impose work in a repressive and oppressive, nevertheless contradictory, way. In the circuit of money capital, as a distinct moment of the circuit of social capital, capital assumes a reality which disregards labour as concrete labour (use-value aspect of commodities) inasmuch as the social usefulness of labour is eliminated. Money capital, contrary to the immobility of productive capital in the form of means of production, expresses the contradiction between use-value and the value form in the most developed form. The inauguration of value production is, to the point of distinction, disconnected from the production of use-value. "With the development of large-scale industry money-capital, so far as it appears on the market, is not represented by some capitalists, not the owner of one or another fraction of the capitalist in the market, but assumes the nature of a concentrated, organised mass, which, quite different from actual production, is subject to the control of the bankers, i.e. the representatives of social capital" (Marx 1966, p. 368). Labour assumes a mode of existence in the meaningless, but elementary, form of money capital. Labour's constituting power pertains in money capital as 'the' form of property. Capital asserts itself in the form of money as the incarnation of abstract wealth, i.e. the imposition of work through the commodity form (formal freedom and equality). Money capital is capital in its general and elementary form (Clarke 1978). "Capital in general, as distinct from the particular real capitals, is itself a real existence. ... For example, capital in this general form, although belonging to individual capitalists, in its elementary form as capital, forms the capital which accumulates in the banks or is distributed through them, and, as Ricardo says, so admirably distributes in accordance with the needs of production" (Marx 1973, p. 449). The self-contradictory social process of value comprises different moments of capital which exist only as distinct-in-unity, i.e. the continuum of forms of abstract labour in action. Hence an 'internal but necessary' differentiation of one process: social reality of class antagonism.

It follows that a crisis of social reproduction appears as a monetary crisis. The unity-in-separation of production and circulation entails the possibility of crisis as the two interrelated processes contain the possible separation in time of purchase and sale. The disruption of production and circulation comprises, from a formal point of view, the possibility of crisis which, from a materialist point of view, exists as the abstract form in which the unity of different moments manifests itself through disunity. The disruption of the continuity of social reproduction manifests the unity of circulation and production and, as unity, their difference, or their separated existence. The contradictory unity of surplus value production manifests itself in the form of a tension between different value forms of the one process of social capital. The tension makes itself felt in the form of disunity of production and circulation. As different moments of one process, their inner connection makes itself felt in their separation. To explain, however, the crisis of social reproduction in and through the way in which crisis manifests itself explains crisis through crisis itself, hence tautology. Disunity of production and circulation is explained through disunity.

Incongruence of selling and purchasing constitutes the possibility of the deference of selling and purchase through the constitution of money in the form of credit and means of payment. Credit frees the transformation of value from the barriers of realisation. Credit exists as a lever for expanded reproduction as it realises the internal relation of production and circulation without this internal relation having been performed in real terms. Accumulation can be sustained by the extension of credit as it expands the limits of the market through the issue of a claim on future settlement. The credit system reduces the time reproductive capital spends in circulation; accelerates the turn-over of reproductive capital; mediates day-to-day difficulties through the issue of bills of exchange; postpones the depreciation of capital; redistributes surplus value for accumulation; absorbs disproportionalities; and sustains expanded reproduction. Credit-sustained accumulation rather than eliminating the contradictory unity of surplus value production, constitutes a mode of existence in and through which this contradiction can temporarily move without, however, sweeping away the contradiction. Credit-expansion defers the manifestation of crisis and overaccumulation only by stimulating greater overaccumulation as profits are realised on an increasingly inflationary (or fictitious) basis. Further credit expansion constitutes the contradictory unity of surplus production in the form of a conflict between productive (or functioning) capital and money capital (in the form of credit). In money capital the difference of the material existence of value is obliterated. Money capital expresses the 'undifferentiated, homogeneous form of value' (Clarke 1978). Hence, money capital is the ultimate expression of the 'abstraction in action' of labour in capitalism. This 'abstraction in action' achieves its most elementary form of existence in the circuit of money capital (M...M'), a form which reduces capital "to a meaningless condensation" (Marx 1966, p. 391) without, however, dissolving the existence of particular capitals. Rather, it imposes upon them the social character of their own existence, while 'eliminating the relation to labour' (Marx 1976, p. 456). However, money capital exists only in and through labour (M...P...M'). The value of money capital is not determined through the value it represents in relation to commodities, but through the surplus value which it produces for its owner (see ibid.). Hence the contradiction between labour as substance of value and its obscuration in the circuit of money capital - the incarnation of the process of abstract wealth appearing in money capital's apparently self-valorising capacity. The constituting power of labour exists in and against the form of money qua contradiction. The contradictory unity of surplus value production in terms of money represents the power of labour as constituents of social form.

With the increase of productive activity, outside financing of capitalist command over labour becomes a viable lever of accumulation so as to finance the growing cost that the exploitation of labour's productive power commands. By bringing together huge amounts of money, banks (as well as joint stock companies) provide the credit that underpins expanded reproductive accumulation. The antagonistic tendency at work here comprises the manifestation of money capital as incarnation of abstract wealth. Outside financing entails the possibility of the development of money capital relatively independent from productive capital. Since reproductive accumulation exists as immobilised capital, money capital, in the form of credit, provides a lever of accumulation, thus permitting the accumulation of capital on the basis of the autonomisation of money capital independent from its parent stock (see Altvater 1985;Marx 1966). Capital assumes an apparent independent existence in the form of interest as form of profit. With the advance of credit-sustained accumulation the difference between the various circuits of social capital are obliterated within the cycle of money capital, reducing the reproductive capitalist to mere manager of the production process; the manager of production representing functioning capital (see the tentative discussion in Marx 1966). "The antithetical character of capital assumes an independent form" in money capital (Marx 1966, p. 382). In turn, this process involves the splitting of profit into enterprise profit and interest "as though they generate from essentially different sources" (Marx 1966, p. 375). In these two forms of profit, the relation to surplus value is eliminated since they are concepts relating to each other as opposites. At the same time, however, they exist only as forms of surplus value placed in the proper motion of its social reality. The differentiation between enterprise profit and interest mystifies profit as property of capital as such, a profit which would have been yielded even if capital had not been applied productively. The choice to invest reproductively or in monetary terms is, however, dependent on labour as substance of value, the contradiction between productive and financial engagement being determined by the class struggle over capitalist command in production.

The creation of a 'credit-superstructure' (cf. Marx 1966) that constitutes the circuit of social capital, extends beyond the barriers of abstract wealth while it, at the same time, accelerates overaccumulation and crisis through the expansion of a claim on future surplus value. The loan to reproductive capital exists as a claim for the lender disconnected from the use-value (means of production) which it represents for the borrowing capitalist. The claim exists thus as claim on a portion of future surplus value. The illusion of credit-sustained accumulation comes to the fore as soon as the claim on surplus value breaks down. In the crisis, the credit-system transforms from a lever of accumulation to a lever of devaluation jeopardising not only productive activity but the abstract existence of wealth as a whole, domestically and internationally. The displacement of the contradictory unity of surplus value production is complete as the relation to labour is seemingly eliminated in the form of credit and as in order to preserve the credit-system all other forms of capital and labour have to be sacrificed (see Marx 1966). Reproductive capital is progressively devalued through insolvency while, at the same time, the thinghood of capital in the form of money exists only in and through labour. Credit needs to be turned into effective command over labour so as to turn credit into means of payment. The integration of abstract labour with the value form on the basis of credit-expansion constitutes the supreme power of capital in the form of money-in-command. Credit exists as a form of money, the most abstract form of capital, that is as the supreme social power through which social reproduction is subordinated to the reproduction of capital. In order to maintain the cash flow productive capital needs not only to realise its own capital but also that of its creditors so as to service interest and to repay credit. Although, in credit, the relation to labour as substance of value is seemingly eliminated, credit asserts itself as social power which imposes upon productive capital the need to intensify work so as to avoid insolvency by guaranteeing credit as a claim on surplus value. Credit attains social existence as command to exploit labour effectively.

The contradiction involved in the coexistence and sequence of different value forms composed within the process of social capital is the potential autonomisation (Verselbständigung) of monetary from productive accumulation. This autonomisation involves the displacement of the contradictory unity of the production process (i.e. labour and valorisation process) to the constitution of this same contradiction in the form of a contradiction between productive and loanable capital (i.e. the contradiction "between the factory and the credit system";Marazzi 1976, p. 92). This process is mainly constituted through the development of the credit-system "in which money no longer functions as a hoard but as capital, though not in the hands of its proprietors, but rather of other capitalists at whose disposal it is put" (Marx 1978, p. 261). The self-contradictory character of capital assumes an apparently "independent form" (Marx 1966, p. 382) in interest as a relation between the owner of money capital and the manager of production. This displacement of the contradictory unity of surplus value seemingly eliminates the relation of interest profit to surplus value. However, interest profit exists only as a mode of existence of surplus value. Hence social reality is constituted as a movement of contradiction in and through labour, a movement in which the contradictory unity of surplus value production reasserts itself in M...M - "the meaningless form of capital, the perversion and objectification of production relations in their highest degree, the interest-bearing form, the simple form of capital, in which it antecedes its own process of reproduction" (Marx 1966, p. 392). Productive accumulation has to succeed in order for money capital to be sustained, while the failure to turn credit into productive command over labour reasserts, for productive capital, the limits of the market to realise capital profitably in the form of insolvency and bankruptcy. "Money capitalists are then the arbitrators of the struggle for survival" (Weeks 1981, p. 145). It is no longer the market which imposes the limits of social reproduction on capital. Rather, it is the financial system which provides the credit that underpins capitalist reproduction. The supremacy of monetary accumulation reasserts the limits of the market in the form of monetary constraint, i.e. in the form of scarce and costly credit. Left to their own devices, bankers, i.e. the representatives of social capital, will tend to fuel overaccumulation by overextending credit. However, the default of productive activity threatens to bring about a collapse of the credit relations, upon which all social relations rest. In order to sustain the most elementary, and meaningless, form of capital, labour and productive capital needs to be sacrificed so as to make it possible for banks to absorb heavy losses without default. However, the sacrificing of surplus value production on the altar of money destroys the basis in and through which the meaningless form of capital exists. The unity of monetary and productive accumulation reasserts itself in and through their destructive separation. The supremacy of money displaces, as a form of class struggle, the contradictory existence of the production process into a contradiction between credit and functioning capital. This displacement of the contradictory unity of surplus value production is abstract in terms of social command as its form of wealth is meaningless in content (use value production); none other than the uncoupling of the valorisation from the labour process (see Marx 1983, p. 48). Credit represents abstract labour in the form of a claim on the future exploitation of labour, a claim on surplus value enforced through the abstract equality of the power of money as the representative of the limits of capitalist reproduction.

The break-down of credit-sustained accumulation does not provide an understanding of how the continuity of production and circulation came to be disrupted in the first place. The break down of credit, precipitated by a rush into means of payment and rising cost for credit, manifests a formal possibility of crisis. This formal possibility exists as an elementary form in and through which crisis expresses itself. This elementary form is less abstract than the one introduced above because money exists as incarnation of wealth: "value in process, money in process, and, as such capital" (Marx 1983, p. 225). A monetary crisis is not simply the "result of the 'animal spirits' of investors, but is rather a symptom of the overaccumulation and uneven development of capital, as the associated expansion of credit increasingly spills over into unproductive and speculative channels" (Clarke 1988b, p. 59). In the course of crisis and overaccumulation the spill over of overaccumulated capital in the form of (superfluous money) capital into speculative and unproductive channels appears as an uneven relation between the production of goods and market relations. In turn, this uncoupling seems to be determined through contingent factors (i.e. erratic monetary policies), the eradication of which appears as a simply readjusting exercise so as to restore proportionality between supply and demand on the market. However, because of the inner connection between different value forms, the rupture of production and circulation cannot be explained by reference to the autonomisation of one form from the other (i.e. inflationary supply of money). The contradictory relation between the forces and relations of production expresses itself in the form of a tension between functioning capital and the credit-system. The tension between different value forms constitutes a mode of motion of the constituting power of labour in the form of a contradiction between the unfettered expansion of the productive forces and the limits of the capitalist form of social reproduction.

The central contradiction is not the contradiction between production and circulation. The central contradiction is constituted in the class relation of capital and labour. The context of social production of value is composed of the inversion of social production as private product- ion and the realisation of the sociality of private production behind the back of the private producer. The contradiction between the crisis-ridden process of unfettered accumulation (self-valorisation of value) and the need to confine production within the limits of the capitalist form compels each individual producer to exploit labour effectively. The compulsion for each individual capital, if its devaluation is to be avoided, not only to produce, but to increase relative surplus value in the course of accumulation, forces upon each capital the necessity of expelling living labour from the process of production and of attempting to decrease necessary labour to its utmost. This process relates to the "relation between necessary labour and surplus labour that is ... the relation between the constitutive parts of the working day and the class relation which constitutes it" (Negri 1984, p. 72). Capital exists only in antithesis to living labour as the substance of abstract labour.

Surplus value is produced by the productive consumption of living labour. Capital's ability to impose work through the commodity form involves the containment of labour's disruptive power to resist managerial strategies to set labour in motion. The constant struggle over the imposition of managerial control over work involves, in turn, constant class struggle over the progressive displacement of living labour by machinery. The only way in which the revolutionising of the means of production can be productive in terms of capital (surplus value) is by containing the disruptive power of labour in the face of intensification of work. Further, the revolutionising of the means of production involves the self-contradictory harnessing of the productive power of labour. The unfettered revolutionising of the productive power of labour carries with it the tendency to overaccumulation and crisis. The contradictory relation between the unfettered development of the forces of production and the limits of the capitalist form of social reproduction urges the compression of necessary labour so as to multiply the productive power of labour. The compulsion to compress necessary labour and to control the disruptive power of labour in production makes itself felt to the individual capital through competition. The attempt to avoid competitive erosion by increasing the productive power of labour exists as a movement of contradiction, the rupture of which makes labour's productive power worthless in the form of capital: overflowing markets, devaluation and liquidation of capital, redundancy of labour, while superfluous capital spills over into unproductive and speculative channels. All this is expressed in the break down of the unity between production and circulation, manifested in their destructive separation. In the course of the class struggle over domination, the composition of capital undergoes changes as the revolutionising of the forces of production decreases living labour relative to constant capital. Assuming a prevailing value composition of capital, the increase in its technical composition increases the organic composition of capital. While the concept of the 'technical composition' of capital refers to the forces of production, expressing the productive power of labour, the term 'organic composition' of capital refers to the social form of the social relations of production in and against which the productive power of labour exists. With a rising ratio of constant capital relative to variable capital, the value composition of commodities represents a growing component of value transferred (means of production) relative to value reproduced (variable capital) and value produced (surplus value). In the course of accumulation, the "relative decrease of the ratio of variable to constant capital" (Marx 1966, p. 249) indicates labour's productive power as less living labour is needed to produce an equal amount of commodities. While labour's productive power increases, the cost price of production grows in terms of constant capital relative to variable capital, the value constituents representing living labour. The class struggle over capital's tendency to decrease necessary labour so as to increase surplus labour, increases the total capital required for imposing work (Marx 1983, p. 529). Capital needs to intensify the exploitation of labour so as to make the means of production productive in terms of capital. Further, capital has to expand the exploitation of labour so as to increase the mass of surplus value in the face of a declining rate of profit. In the face of a growing component of value transferred and a decrease of value reproduced and produced, capital needs to realise a growing mass of commodities in order to secure the accumulation of capital. Competitive pressure forces each individual capital to intensify exploitation so as to increase the rate of surplus value and to withstand competitive erosion by realising a growing mass of commodities. The generalisation of the revolutionising of the productive power of labour involves that there is too much capital than can make a reasonable profit from exploiting labour. Capital spills over into speculative channels seeking profitable returns in interest bearing investment and sustaining capital's command over labour's productive power through credit: maintaining demand on the market through consumer credit and maintaining productive accumulation through production credit. The generalisation of labour's productive power and the sustaining of accumulation through credit entails the tendency to overaccumulation of capital, an accumulation of too much capital relative to the profitable expansion of accumulation, that is, the capitalist ability to exploit labour effectively.

The contradiction between the productive power of labour and the capitalist form of social reproduction affects all capitals, no matter how big or small. Overaccumulation and crisis manifests itself unevenly as the more successful capitals have greater scope to respond to the limits on the realisation of adequate rate of profit for expanded accumulation (greater mass of profit, devaluation of excess capacity, greater credit-worthiness and hence financial liquidity and greater scope to buy off labour's disruptive presence through wage increases). On the other hand, weaker capitals have no other option left but to increase pressure on their work-force in order to survive. "In the face of competitive pressure the less successful capitalist does not simply give up the struggle and call in the receiver, but seeks to restore profitability by extending the working day, intensifying labour or revolutionising the forces of production" (Clarke 1989, p. 143). At the same time, the more successful capitalist attempts to exploit its relative position vis-á-vis its competitors so as to secure its surplus-profit before its method of production has been generalised to other capitals and "other branches of production once generalised in a particular branch" (Clarke 1988a, p. 53). The consequence of this process is that "even the more advanced capitals come under increased competitive pressure as the overaccumulation confronts the limits of the market" (ibid.). Devaluation and liquidation of capital accelerate the concentration and centralisation of capital as the more advanced capitals are able to capitalise on their position as defunct capitals are partly taken over by bigger capitals. Further, overaccumulation is preceded by an expansion of credit. The fictitious character of credit-sustained accumulation generalises the tendency to overaccumulation and crisis as the failure to command labour effectively for expanded surplus value production constitutes the contradiction between the forces and relations of production in the form of a possible default of money capital in its most elementary form of credit, i.e. a default of the accumulated claim on future surplus value.

The generalisation of the productive power of labour ruptures capitalist command over labour as the unfettered expansion of labour's productive power reaches the barrier of its capitalist form. Value relates to itself as value being realised in the form of money on the market. Overaccumulation of capital makes itself felt in the form of monetary constraint on the market as value created fails to have the stamp of value imposed on it in exchange. The generalisation of the productive power of labour is expressed in "a fall in the rate of profit - perhaps first in this sphere of production [overaccumulation being pronounced in the most dynamic branches], and eventually it achieves a balance with the rest - which is, therefore, wholly independent of the will of the capitalist" (Marx 1966, p. 265). In the face of limited markets, a high organic composition of capital needs to be reduced so as to increase the margin in which the equalisation of the rate of profit might fluctuate without compromising capitalist reproduction. A fall in the rate of profit decreases the rate of accumulation as less value is realised relative to the reproductive structure of accumulation. The motive of profitability exists as a moment of expanded accumulation and vice versa. Both a fall in the rate of profit and a decreasing rate of accumulation express the productive power of labour that produces too much capital relative to the limits of the market to realise capital. This development threatens to transform the uneven development of capital into a crisis-ridden rupture of accumulation as commodities cannot be realised sufficiently to impose work profitably on an expanding scale. The tendency of the rate of profit to fall, including the countertendencies to its fall (see Marx 1966), "is identical in meaning" (Marx 1973, p. 749) with the development of the productive power of labour that reaches, in the form of overaccumulation and crisis, the barrier of its capitalist form. The tendency of the rate of profit to fall is a moment of the capitalist tendency to overaccumulation (Altvater et.al. 1975, p. 270), i.e. a mode of existence of the unfettered exploitation of labour (4). Overaccumulation and the tendency of the rate of profit to fall are thus conceived of as different moments of the class struggle over the imposition of the value form. The rate of profit is the governing motive of capitalist production inasmuch as it determines the possibility of reconverting realised profits into expanded surplus value production.

The social character of production reasserts itself in and through the constituting power of labour that challenges capital's ability to contain labour within the form of capital. Disruption of expanded reproduction makes itself felt in the form of overaccumulation, a rising organic composition of capital and a falling rate of profit. "At this point the development of the productive forces is inconsistent with prevailing values, and a dynamic process of adjustment is necessary" (Weeks 1982, p. 75). The adjustment process, referred to by Weeks, involves class struggle over the intensification of work, the redundancy of labour, pressure on wages and the devaluation and liquidation of capital (closure of plant) - all this in the attempt to render the productive power of labour profitable by decreasing necessary labour in the attempt to contain the productive power of labour within the limits of the valorisation process. The class struggle over the containment of labour's productive and disruptive power focuses on the contradictory mode of existence of the production process. The class struggle over capital's tendency to limit necessary labour involves the struggle over the reimposition of the valorisation process on the labour process through the intensification of work and the reassertion of command over labour's disruptive power. Fundamentally, the struggle to confine labour's productive power within the form of capital involves the disorganisation of labour's tendency to limit the provision of work. The class struggle over domination is a presupposition and premise in and through the constituting power of labour as the abstraction of social reality in action. Capital exists only in and through labour whose power capital needs to contain by denying self-determination and social production under the control of society itself (5). Capital's attempt to contain labour is repressive in form and self-contradictory in substance. The reimposition of capitalist command involves the use of unemployment as a means of reinforcing the division within the working class, to reassert the right to manage, to put pressure on wages and reimpose the wage relation (i.e. to maintain and guarantee formal exchange equality). The containment of labour involves the reassertion of authority through impoverishment in the face of overflowing markets, unemployment, liquidation and devaluation of productive capacity, and monetary scarcity in the face of overliquidity of capital. The class struggle over domination involves thus the destruction of use-values (through the liquidation of capital) in order to determine social reproduction as production of value confined within the limits of the capitalist form of reproduction, i.e. the reimposition of the integration of abstract labour with the value form. This process does not follow an internal logic of capital but, rather, the class struggle over domination.

Overaccumulation and crisis is a mode of existence of class antagonism in and through the productive and disruptive power of labour in and against capital. What distinguishes capitalism from other modes of production is not overproduction, but the constitution of overproduction as an anarchic, crisis-ridden process. While overproduction is a condition for the reproduction of capital, it obtains in capitalism as tendency to overaccumulation and crisis (6). The contradiction between the presupposition of overproduction and overproduction as an 'anarchic element' entails the contradiction between the labour and valorisation process, or, in other words, between value and use-value: "whose developed form is the contradiction between the capitalist tendency to develop the forces of production without limits, and the need to confine accumulation within the limits of the social relations of production" (Clarke 1989, p. 142). Expansive reproduction proceeds in and through the constant class struggle over the constitutive parts of the working day, the reimposition of the labour process as valorisation process and the destruction of value (i.e. productive capacity), the redundancy of labour and the unemployment of capital that can no longer be converted into effective command over labour for the purpose of exploitation. On the other hand, the sustaining of accumulation through credit constitutes the circuit of social capital on the basis of a speculative deferral of mass devaluation of capital, a speculative deferral which entails an accumulation of debt, money as the incarnation of abstract labour in the form of a (potentially) worthless claim on surplus value. Crisis is not just a vehicle for the transformation of the social relation of production that constitutes a new starting point for accumulation. The movement of the contradictions of capital is determined by the class struggle. This class struggle is an open-ended and unpredictable process and costly for capital (devaluation and liquidation of capital), and potentially disastrous as the years post-1929 signpost in dramatic fashion.

The presence of labour in and against capital assumes the form of overaccumulation of capital which asserts itself in the form of the redundancy of the worker and unemployed capital. However, unemployed capital does not simply cease to perform as capital. Contrary to its partner in the form of excess capital in production, unemployed capital exists in the general form of capital and, at the same time, in its elementary form: money. In the face of overaccumulation and crisis, the associated expansion of earned profits placed on monetary markets spills over into increasingly speculative and unproductive channels. "The so-called plethora of capital always applies essentially to a plethora of the capital for which the fall in the rate of profit is not compensated through the mass of profit - this is always true of newly developing fresh offshoots of capital - or to a plethora which places capitals incapable of action on their own at the disposal of the managers of large enterprise in the form of credit" (Marx 1966, p. 251). This development is a moment of the overaccumulation of capital as money capital itself can no longer be converted into reproductive activity, or, in other words, money capital cannot be converted into expanded command over living labour. Hence, "unemployed capital at one pole and unemployed workers at the other" (ibid.) - different poles of a dialectical continuum of the presence of labour in and against capital, the development of which is being determined by the class struggle. Superfluous capital exists and makes itself felt as the incarnation of the process of abstract wealth to which all other forms of capital and labour have to be sacrificed in order to sustain capital in its general and elementary form. All social relations rest on the maintenance of formal exchange equality of credit. The constitution of the productive and disruptive power of labour in the form of credit-expansion involves the class struggle over the money power of capital: i.e. the enforcement of debt over the working class through pressure on living standards, imposition of poverty and the intensification of work so as to turn credit into real value.

In the course of overaccumulation, which is itself stimulated by credit expansion, the uneven development between reproductive and monetary accumulation transforms from a lever of accumulation to a crisis-ridden tension between functioning capital and the credit-system. The contradiction involved here is that the tension between different value forms is constituted in the form of an autonomisation (Verselbständingung) of money from the production of surplus value, while, at the same time, existing only in and through it. Overaccumulation and crisis increases reproductive capital's demand for means of payment so as to maintain command over labour's productive and disruptive power for the purpose of exploitation. This demand can only be satisfied by credit. Consequently, credit becomes more expensive as demand rises, while depressed 'economic activity' and defaults of credit threaten to turn debt into insolvency and bankruptcy of reproductive capital. Banks themselves face the threat of insolvency as credit defaults, threatening a collapse of the circuit of social capital based on speculation and debt financing of reproduction. The tension between different value forms is signposted by the autonomisation of the meaningless, but elementary, form of value from the immediate command of capital over labour for the purpose of exploitation upon which the social reality of money rests and which is sustained by money independent from its parent stock. The contradictory movement of the contradiction between functioning and money capital indicates the fragility of capital's command to exploit labour effectively as reproductive capital is sustained by 'unemployed' capital, threatening insolvency and liquidation for both in and through the failure of one of the extreme poles of the contradictory unity of productive and money capital. The supremacy of monetary accumulation is a direct expression of the weakness of reproductive accumulation (Krüger 1985), i.e. the crisis of domination over labour's productive power. While the plethora of capital signposts the rupture of capital's power to impose work within the limits of the capitalist form of social reproduction, the autonomisation of monetary accumulation constitutes capital's most elementary and meaningless form of command. The money power of capital is a mode of existence of the conceptual and practical movement of the class antagonism; the class struggle over labour's productive and disruptive power constitutes the contradictory unity of surplus value production in the form of the self-contradictory existence of money.

The contradiction of social production in the form of capital relates thus to the substance of value, the presence of labour in and against capital. The self-contradictory existence of capital is temporarily 'normalised' through the class struggle over the recomposition of the production process and, of importance here, through the expansion of production through circulation. The compulsion towards expanded appropriation and homogenisation of social reality is a tendential part of capital's own reality: i.e. the displacement of production to the world market. The world market is a presupposition and a premise of the whole process of capitalist reproduction. The world market "is directly given in the concept of capital itself" (Marx 1973, p. 163) as it constitutes the presupposition of social reproduction "as well as its substratum" (ibid., p. 228). The world market posits the most developed mode of existence of the integration of abstract labour with the value form. The world market constitutes the place "in which production is posited as a totality together with all its moments, but within which, at the same time, all contradictions come into play" (ibid., p. 227). The inversion of social reproduction as production of capital is complete: the world market as the result of the conceptual displacement of substantive abstraction transforms into a premise of abstract wealth; a premise which serves as a presupposition for the crisis-ridden reproduction of the social relations of production. The world market constitutes a mode of existence of the presence of labour in and against capital which subordinates the conditions of life to the richest concrete development of the most general abstraction of the antagonistic tendency of capital and labour and conversely. The world market constitutes the most concrete mode of existence of the crisis-ridden development of social reproduction as the reproduction of capital. Accordingly, the utmost expansion of the process of abstract wealth founded on exploitation comprises also the expansion of the power of money as form of value because of the international character of the circuit of money capital within the circuit of social capital situated on the world market. From the conceptual standpoint advocated here, the displacement of the presence of labour in and against capital from production to the world market subordinates the conditions of life to the most richly developed form of the category of abstract labour. Hence, the development of domestic accumulation is subordinated to the equality, repression, ultimate expression and thinghood of value in the form of (the international character of) the circuit of money capital. The constitution of the world market turns into the premise of the imposition of work within national boundaries (see v. Braunmühl 1978).

II Social Constitution and the Form of the Capitalist State

The historical constitution of abstract labour as generality of the social relation of capitalist reproduction presupposes the historical constitution of the state. The first chapters of 'Capital' presuppose the existence of the state as an historical process and premise for the reality of the law of value. The dismantling of feudal (7) restraint is an historical process that establishes social conditions which constitute the reality of value production: the free individual bound by legal relations instead of relations of direct coercion, territorially homogeneous markets, money with a political title (see Marx 1973,1983), the political protection of the right of property and the provision of infrastructural means within which the law of value can unfold. This formal, but nevertheless real, determination of the state comprises an historical development in which the state arrogated to itself particular functions. The historical development of the state transforms from the political revolutionising of personal relations of domination into the political normalisation of bourgeois society. The impartiality of legal standardisation of rights reasserts the liberation from feudal constraints within the proper motion of capitalist social constitution (individual freedom and equality). In capitalism, the constitution of the general conditions within which formal freedom and equality obtain are abstracted in a form distinct from exchange relations and production (Holloway/Picciotto 1978). The state enforces the norm of social interaction between property owners in a way which safeguards the formal recognition of (property) rights to which each individual is subject. The enforcement of property rights involves, fundamentally, the enforcement of the power of money, as the most abstract form of capitalist property. This relation of the state to society implies that private individuals exist as abstract individuals endowed with standardised rights and, as such, are treated as abstract citizens (Blanke/Jürgens/Kastendiek 1978;Holloway 1980). This treatment complements politically the processing of class as wage labour. This reassertion of the right of property 'denies the existence of class' (Gunn 1987c).

The form-determined function of the state is something real and as such provides legitimacy for the state (Agnoli 1975). These functions cannot be provided by the conscious decision of the community since the community exists only in the inverted form of the private individual in a social context characteristic of commodity production.

However, behind the sanction of the right of property lies the doubly free labourer (see Marx 1983, p. 166,668) and the concentration of the conditions of the means of social production and subsistence in the hands of capital. Behind formal equality and formal freedom lies social reproduction in the form of capital: value production (that is surplus value production: Negri 1984). The formal safeguarding of rights inverts into the substantive guarantee of exploitation (Gunn 1987d) and specifies the state as a moment within the 'context of the valorisation process' (Clarke 1978). The form of the state, as social practice, inverts hence from achieving the instantiation of human rights which, itself, is the right of political emancipation (revolutionising of direct relations of power) to imposing work as the social reality of the right of property which, itself, is a negation of social emancipation. The constitution of social reproduction as reproduction of capital involves the state as a distinct moment of the imposition of value and the organisation of life around imposed work. The form of the state, which attains generality in terms of the harmonies of formal equality and formal freedom as political domination, is hence posited as political organiser of the 'republic of the market': formal freedom and equality as mode of existence of exploitation. The political guarantee of the right of property determines the state as a strong state that imposes the rationality and equality of the right of property over society in the attempt to contain the social antagonism of capital and labour by the force of law (8). Therefore, the contradictory unity of surplus value production is displaced to the form of the <u>state</u> in a way which concentrates the social reality of exploitation in and through the guarantee of formal freedom and formal equality of property rights. The social process of formation and implementation of rights in and through the state mediates exploitation in and through the form of rights of property.

This social determination of the state, as an historical precondition, reality and process of the social relations of production, characterises the state as an 'illusory community' (Marx/Engels 1958) subsuming particular interest (private production and exploitation) as universal (social reproduction and the republic of the market as human right). The contradictory unity of surplus value production is mediated as social existence in the form of the state as 'external', as 'alienated form of community' (ibid.). This determination of the state in the historical process of capitalist class relations posits, at the same time, its substantive character as imposing law and order: instead of privileges, the state sets rights;instead of relations of will and power, the state sets relations of legality;instead of despotism, the state concentrates coercion as law and order;instead of relations of conflict, the state sets contractual relations of social interaction. The concentration of the universal in the form of the state presupposes the state as "concentration of bourgeois society" (Marx 1973, p. 108). This constitution of the state involves the displacement of control over the means of production into the form of the state, imposing order in and through legal standardisation of formally equal property owners. The social process of wealth as one of value is thus displaced and constituted politically in the form of the safeguarding of rights, equality and freedom upon which the social reality of the process of value rests (9). The 'concentration of the coercive character of bourgeois society in the form of the state' (Agnoli 1986) guarantees and sanctions the right of property for each commodity owner in a form independent from them. The particularisation of the political as distinct from the social implies that the state can only relate to the private individual in a social context through certain general forms, i.e. monetary or legal means and direct coercion, so as to impose the existence of the private individual as an abstract citizen within the rule of law (10).

Formal freedom and equality figure not as accomplished fact but as a process of class antagonism. Formal freedom and equality constitute the historical presupposition of the state, its historical premise and result. The mode of existence of the state inheres in the historical tendency towards expanded social organisation of social reproduction in terms of law: the elimination of social conflict in and through the instantiation of human rights, i.e. law and order control. It is here that the process of surplus value production attains generality in the form of political domination. The dynamic unity of surplus value production does not eliminate the antagonism of capital and labour, but pushes continually each mediation of the contradictory unity of surplus value production to its point of supercession inasmuch as formally equal, but mutually exclusive, property rights (see Marx 1983 on the working day) constitute relations of exchange as relations of political domination, involving the imposition of relations of legality over the class conflict.

Therefore, the state exists as the political concentration of social normalisation, organisation and domestication of social conflict in forms conforming to formal rights and the safeguarding of these rights through coercion separated from society and, at the same time, existing within society. The particularisation of the state from society entails specific functions arrogated by the state in the development of capitalism. The historical tendency of 'statification' is presupposed in the substantive abstraction of capital and labour and in the result of the concrete historical movement of the abstract tendency as concrete class struggle. The legalisation (as well as political supervision) of the social relations implies at the same time their statification, a statification which aims at the development of the social relations of production in politically supervised, legally controlled, non-conflictual forms (Agnoli 1975;Blanke/Jürgens/Kastendiek 1978). The organisation of social conditions in and through which the contradictory unity of surplus value production of value exists is perceived here as the state's content as mode of domination, a content which is presupposed in the determination of the state as historical result, reality and process of capitalist social relations. The separation of the political from the social operates within society. Thus the contradiction between form and content: particularisation of the state imposing the generality of formal freedom and formal equality as 'community', the content of which is the 'perpetuation of the slavery of labour' (Marx 1969, p. 33), a perpetuation that comprises the 'sine qua non of the existence of capital' (Marx 1983). The "autonomised [verselbständigte] power of the state" (Marx 1974, p. 882) entails the form-determined content which puts the state right back into the process of value. Hence, the state is constituted as a contradictory unity of form and content (Clarke 1977), a unity that is impossible to separate inasmuch as, in practice, it constitutes a dialectical continuum.

The social normalisation and pacification of the aspiration of labour in the sphere of social reproduction is beyond the scope of the private contract between capital and labour and the latter's existence for capital as merely a means of valorisation. The social organisation of the reproduction of labour can only be processed by the state as a distinct moment of the class antagonism between capital and labour, a moment within which the contradictory unity of surplus value production exists as a political relation, complementing the economic. The pacification of class conflict into forms of law and order caused, regarding the regulation of the working day, "capital at last to be bound by the chains of legal regulation" (Marx 1983, p. 223). The displacement of the contradictory unity of surplus value production (in its mode of existence as formal freedom and equality) to the state specifies the state as a moment of the social relations of production that preserves the conditions of capitals' existence: living labour. This preservation of living labour, both in terms of the existence of the working class and the normalising of the aspiration of the working class within the limits of value, is abstracted from capital as individual capital and conforms to the state's constitution as a mode of existence of the social relation of capital and labour. 'The legal chain of regulation' thus exposes capital's general need, as social relation, for living labour opposed to capital in its real existence as individual capital. Capital cannot exist without the state. The form of the state is thus to be seen as a distinct mode of existence of exploitation in that the state internalises in its historic development the preservation of the substance of value (labour); the state mediates capital's dependence on the reproduction of labour power within the limits of capital. The state attains historical existence in the dialectical process of these functions arrogated by the state. The development of the state needs to be seen as one in which the contradictory unity of surplus value production is reproduced in a political form, as a moment of the same process of class struggle: social reproduction as, and in and against, domination.

The tendency of the state to arrogate to itself functions to organise labour power (housing, education,skills,health,social reproduction, discipline,living conditions, legal provisions, enforcement of legal rights,organisation of free-time), and likewise the processing of the aspiration of the working class within the historical limits of capital and the state, is restricted by the state's own precondition: surplus value production. The state is a mode of the existence of labour in capitalism (Agnoli 1975), i.e. a moment of the imposition of abstract labour through the commodity form. The statist moderation of the 'perpetuation of the power of capital and the slavery of labour' (Marx 1969, p. 33) posits the state, in regard to labour, as an instance of oppression and, at the same time, an instance of its existence in capitalism (Agnoli 1975). The state provides 'things we need, but in a form that is oppressive' (London 1980) as it denies and disorganises by use of force, in the name of citizenship, social emancipation in contrast to the political emancipation characteristic of capitalist domination. This contradiction of the state exists not as accomplished fact but as process of class struggle. Therefore, it is not sufficient simply to indicate the class character of the state. Rather, the class character needs to be analysed as a specific form and praxis of class domination (Holloway 1980;

Holloway/Picciotto 1978), and, as such, open to the class struggle itself. The attempt of the state (and capital) to harness class conflict into bourgeois forms of legality and to confine the aspiration of the working class to the limits of the state (and capital) implies not only the legalisation of social relations;it implies also the recognition of the aspiration of the working class and the processing of the latter's aspiration in a way that denies the existence of the working class as class by processing its struggle through the forms of abstract citizenship; the disorganisation of class relations on the basis of the wage relation.

The state is thus to be conceived of as the concentration of the coercive character of capitalist society, both as its historical presupposition and its historical premise and result. The historical composition of the state during fascism cannot be seen as an 'exceptional' form of state (Poulantzas 1973); nor can the so-called 're-authoritarianisation' of the state during the crisis of 'Fordism' and the strengthening of the authoritarian character of the state in 'post-Fordism' (Jessop, Hirsch) be seen as a qualitatively new period in capitalism. Rather, the coercive character of the state exists as presupposition, premise and result of the social reproduction of the class antagonism and not as an exceptional form of the state or as a qualitatively new period of capitalist development. The historical determination and composition of the form, state, as the "concentrated and organised force of society" (Marx 1983, p. 703) is a process of class conflict, entailing the political attempt to sustain and to reassert control over labour. In the face of the difficulty of periodising specific historical forms of capitalist development (see Clarke 1990a), the attempt to contrast specific forms of political violence to phases of a seeming civilised use of political power disregards the general character of the form of the capitalist state. The sociology of different types of capitalist modes of production (as in Poulantzas and the debate on (post-)Fordism), entails an essentialisation of specific aspects, or functions, arrogated by the state to itself in the course of the class struggle. The question about the authoritarian character of the state, and its historically concrete role vis-á-vis the social, concerns the composition (re/decomposition) of the historical presupposition of the state as a form assumed by the class struggle. The republic of the market preemptively stabilising the process of value through corrective repression of the aspirations of labour attains generality in the state's 'preemptive counter-revolution' (Agnoli 1975), i.e., in the reimposition of the value form over the conditions of life. The 'relative latency of the terrorist use of force' (Hirsch 1978a) involves the imposition of the historical premise of the state's own constitution (i.e. capitalist domination) against the disruptive and productive presence of labour in and against capital. This use of force entails the safeguarding of social reproduction in the form of capital by maintaining the 'peaceful, civilised, formally legal and democratic form of appearance of bourgeois society' (ibid.). The development of the form of the state is neither a reflection of political and ideological changes, nor merely a result of economic crisis, but a mode of motion of the self-contradictory form of the capitalist state in the face of the crisis-ridden development of accumulation and, as such, a process of the constituting power of labour in and against capital. The limits of capital are, at the same time, limits of the state: the presence of labour in and against capital. The activities of the state "are bound and structured by this precondition [the reproduction of the capital relation] of its own existence, by the need to ensure (or attempt to ensure) the continued accumulation of capital" (Holloway/Picciotto 1978, p. 25). This domination does not have to be theorised anew at the level of the state, since the powers the state arrogated during the historical development of capitalism are already "inserted in a particular society" (Clarke 1978, p. 64) and since it already exists as the historical precondition of social reality as a whole.

Seeing the state as a mode of existence of the presence of labour in and against capital implies that the state cannot be understood as agent of capital. The state cannot provide general conditions suitable to every particular capital beyond the guarantee of the reproduction of the social form of social reproduction, because each capital exists only in and through each other as moments of one process that constitutes their difference in and through the unity of the abstract category of labour in action. Social capital exists only as a process of difference-in-unity within the life-cycle of value. For capitalist reproduction to take on the form of overaccumulation and crisis, each individual capital must be involved as a moment of the social process of value in terms of negation (devaluation) and affirmation (average rate of profit). The state and capital depend on the continuous reproduction of the transformation of value as between particularity and universality (Reichelt 1978), mediated and composed within the circuit of social capital (see Marx 1978, Ch. 1-4). Therefore, one cannot derive the historical development of the state from the specific interests served by particular policies. Rather the form of the state needs to be seen as a mode of existence of the class relation which constitutes and suffuses the circuit of capital. Consequently, the form of the state attains existence as the political mode of existence of the abstract category of labour in action. The political form of the state is determined by the class struggle. The relationship of the form of the state to the economic form is established by the subordination of the state to the power of money, through which an overaccumulation of capital impinges on the state and sets limits to the power of the state of how to mediate such crisis politically. In turn, this constitution of the state is displaced to the world market as the concentration of the richest concrete development of the constituting power of labour in and against capital.

The class struggle in and against the form of the state needs to be seen within the context of the world market if the 'inner connection' between the economic and political is to be understood in its materialist constitution as distinct-in-unity. In the debate on the (post-)Fordist state, the world market is perceived as a power that dictates state policies and coerces the state to reconstruct its historical form of existence (see Hirsch/Roth 1986). To be sure, the world market dictates, but its existence is not power as such but the constitution of the contradictory unity of surplus value production. The so-called 'dictates' of the world market are the dictates of the crisis-ridden development of accumulation that obtains only in and through the disruptive and productive power of labour. The dictates of the world market amount to the displacement of the class antagonism from the conflict between necessary and surplus labour to the constitution of this same contradiction within the form of the world market. The form of the state is a moment subaltern to the international movement of capital, that is, to the richest possible concrete development of the substantive abstraction of class antagonism (v. Braunmühl 1976, 1978). The state is constituted within the proper motion of the "mode of existence of social capital operating internationally" (v. Braunmühl 1978, p. 176). The world market constitutes a mode of existence of the contradictions of social reproduction: global concentration of capitalist accumulation, that is the negation and affirmation of appropriated labour. "Each national economy can only be conceptualised adequately as a specific international and, at the same time, integral part of the world market. The nation state can only be seen in this dimension" (v. Braunmühl 1976, p. 276; my translation). The state, while constituted on a national basis, is subordinated to the global power of money, imposing the global limits of accumulation on the domestic attempts to secure the reproduction of capital and the integration of the domestic accumulation of capital into the accumulation of capital on the world market. Thus, the multiplicity of nation states exist in and through the constitution of the contradictory unity of surplus value production on the world market as each state exists as a particular node within the global flow of capital. The attempt to secure the integration of domestic accumulation into the world market provides a basis on which to secure the political pacification of the working class.

Certainly, differences obtain between the policies of nation states of how to contain the class struggle and to secure integration into the world market. These differences, however, stem from the 'reproductive structure' of a given country (see Altvater 1985) relative to its integration into the circuit of social capital on the world market. Britain's ailing productive base, relative to its main competitors, contrasting with its strong integration into the international circuit of social capital indicates the "fact that Britain shows the Janus face of capital in its most developed form" (Clarke 1988c, p. 3). In the UK, the contradictory unity of surplus value production is mediated in the form of a dissociation between productive and financial capital, discussed by some authors as indicating the incompleteness of capitalist rule in Britain. This dissociation constitutes the contradictory unity of the circuit of different value forms composing social capital internationally. The integration of the UK into the global accumulation of capital signals the historical development of the substantive abstraction of class antagonism in action: i.e. the international composition of the contradictory unity of surplus value production, comprising different social structures of reproduction of capital as a whole in a particular country (Altvater 1985). Different social structures of reproduction exist as moments of the global development of accumulation. The argument on the peculiarities of British capitalism needs to be taken seriously in at least one respect: the integration of the UK into the world market holds "a mirror to the future of the rest of the world" (Clarke 1988c, p. 33, in reference to Anderson 1987).

III Money-Crisis and the State

Within the crisis-ridden development of accumulation, the development of the capitalist state is processed in immediate form through social conflict and in mediated form through monetary constraints. Basic for the development of the state is the social conflict over the imposition of the value form over the conditions of life. It is through the power of money as a form of value that the imperatives of capitalist social reproduction make themselves felt to the state. The displacement of the antagonism of capital and labour in the form of monetary pressure involves the state because of the state's responsibility for national currency (state as central banker). Monetary constraint over the state expresses itself in the form of a drain of reserves, inflationary pressure, speculative movement of money capital against national currency and a growing claim of international finance markets on public revenue. The drain on reserve towards nations that export more to, than they import from, a particular national economy precipitates, if sustained for a long time, changes in the currency exchange rate. The fluctuation of the exchange rate is aggravated by speculative movements of money capital. The exchange rate indicates the international movement of money in and out of a particular currency, jeopardising the way in which domestic accumulation is integrated into, and composed within, the global circuit of capital. The drain on the national reserve indicates the movement of abstract labour in its most elementary form: money as command to impose work productively in terms of capital.

However, the safeguarding of domestic accumulation exists as a mode of existence of the global character of accumulation, i.e. the world market as the most developed form of the category of abstract labour in action. The crisis-ridden process of accumulation contains, as manifested in the contemporary development, the tendency to a growing synchronisation of the capitalist cycle in and through the global flow of money capital. This development integrates different nation states firmly as moments of the international process of abstract wealth, undermining 'traditional' attempts to "control the cycle in one country" (O'Connor 1984, p. 2;see also Radice 1984 and the collection of articles in Radice 1975). The global character of capitalist accumulation makes itself felt by the state in the form of monetary pressure on the domestic regulation of money. In a crisis the over-expansion of credit appears in the form of a growing drain on the reserves of the central banks as creditors seek to discount bills of exchange with 'real' money. The reserve funds of the national banks are pivotal for the functioning of the credit-system and, as such, for the reproduction of capitalist exploitation of labour. The reserves guarantee the existence of credit in terms of a convertibility of bills of exchange in real money. The barrier to sustained accumulation appears in the form of a limited supply of official reserves with which to support the credit-sustained accumulation of capital. Inadequate reserves indicate the fragility of credit-sustained accumulation. For the state, the drain on reserves asserts itself in the form of balance of payment deficits, overridden by a claim on tax revenue by creditors. The convertibility of credit depends on the ability of the state to restrict the expansion of credit as banks will fuel overaccumulation of capital by investing their capital in interest bearing ventures. The global limits of accumulation assert themselves to the state in the form of speculative pressure on the exchange rates and a growing claim on tax revenue, threatening the convertiblity of currency in commodities on the world market. In its historical development the state arrogated to itself powers to restrain the inflationary expansion of money. These powers provide the basis for the state's monetary and financial policies (see Marx 1966 on the Bank Act of 1844). It is the monetary policy of the state that underpins accumulation and domestic circulation of money subaltern to the international movement of money capital. The reimposition of the limits of the market over productive activity and labour through restrictive monetary policies involves not so much a quest for sustaining capital in its most elementary form of money (i.e. money in the form of credit) but, rather, a quest to sustain the existence of capital as social form of reproduction. A default of the credit-superstructure endangers not only the abstract process of wealth in the meaningless form of money capital but, also, the elementary form of capital upon which all social relations rest. "It is ultimately through the monetary policies of the state, mediated through the banking system, that the 'interests' of capital-in-general are imposed on particular capitals, as the expansion of production is confined within the limits of its capitalist form" (Clarke 1988c, ms. p. 9-10). Fundamentally, the attempt to regain control over the money supply involves the reimposition of the global limits of capital over the working class so as to integrate the category of abstract labour with the value form through the guarantee of credit, thus securing 'money'. and the formal exchange equality of commodities, through the exploitation of labour. The guarantee of international credit-relations rests on the ability of the (multiplicity of) state(s) to impose the money power of capital upon the conditions of life.

If confidence in the ability of the central bank to meet demand for cash payment is undermined, the financial system is threatened with collapse, as the notes of the central bank lose their ability to function as money in the reserve of the banking system. The integration of national currency on the world market is backed by the ability of the central bank to meet a drain on reserves and to convert bills of exchange into means of payment. This ability of the central bank is, in turn, backed by the revenue of the state. It is the revenue of the state which supports the reserves through the guarantee of credit as claim on taxation. If the ability of the cental bank to meet demand for cash payment is undermined, it is the revenue of the state which guarantees the convertibility of bills of exchange into cash payment. The convertibility of national currency in commodities on the world market depends on the accepetability of national currency as legal tender on the world market. Such acceptability depends on the acceptance of credit as claim on tax revenue by financial markets, endowed with the ultimate sanction of speculative pressure against currency in case of domestic mismanagement. The attempt to guarantee such acceptance entails the sustaining of formal exchange equality on the world market through the political guarantee of national currency as legal tender. It is ultimately the revenue of the state that guarantees the convertibility of national currency into commodities on the world market. The individual states exist not only in competition with each other, as each tries to divert the flow of capital to its own territory; they exist also as particular nodes of regulation in the global circuit of capital (v. Braunmühl 1978). The failure of any state to maintain convertibility of national currency may create problems for the international flow of capital as a whole because the stability of international credit-relations rests on the political guarantee of credit.

Seeing the relation between money capital and the state as a relation in which the contradictory unity of surplus value production "makes itself felt by the state in a mediated form" (Clarke 1978, p. 66), indicates the material discontinuity of the real process of class antagonism: erosion of tax base, balance of payment problems, and accumulation of public debt. These pressures indicate the reassertion of the contradictory unity of surplus value production over the form of the capitalist state in and through the abstract equality of the money power of capital. In order to understand the working of the money power of capital, one has to descend "from the monetary image of crisis to an analysis of the crisis of social relations, from the crisis of circulation to the crisis of the relation between necessary and surplus labour" (Negri 1984, p. 25). The antagonistic tendency of the class struggle is concentrated in the power of money as the incarnation of value. The movement of the contradiction between productive capital and the credit system is determined by the class struggle over capital's command over labour for the purpose of exploitation. This struggle is, in turn, constituted at the level of the money power of capital which is mediated through the state. In this crisis-ridden process, the state attains generality as a self-contradictory moment of the social power of money. The subordination of the state to its own precondition, i.e. the integration of the abstract category of labour with the value form, contradicts the substance upon which this social form of command rests. The limits of capital manifest themselves to the state through money power of capital (M...M'), a power in which the precondition of its existence is seemingly eliminated, i.e. the expansive reproduction of capitalist exploitation of labour (M...P...M'). The crisis of accumulation appears in the real disproportion of productive and monetary accumulation. This disproportion appears to be related to the inflationary expansion of money and not to the crisis of domination over labour's productive power. The contradictions of capital appear as a mere disproportion between production and circulation. However, because of the contradictory unity of productive and money capital, the state rather than resolving the contradictions of capital, reproduces these contradictions in a political form.

The acceptability of credit as a claim on tax revenue by financial markets depends on sound monetary management. At times of overaccumulation and crisis, the speculative character of credit-sustained accumulation comes to the fore as the pseudovalidation of surplus value production through credit expansion erupts, precipitated by a rush into means of payment, i.e. real money which existed so far only as anticipation of future settlement, or a rush into safe assets (e.g. gold, strong currency etc.). In turn, the rush into safe assets involves a threat to the money reserves of central banks as reserve money is issued in exchange for bills of exchange. All this calls into question the ability of the central bank to act as lender of last resort at the same time as the stability of international credit relations depend on the political guarantee of credit as a claim on a proportion of tax revenue. In order to maintain formal exchange equality on the world market, the state needs to cut back on credit so as to sustain financial stability. Cutting back on credit involves a contraction of the money supply and high interest rates, making credit scarce and expensive. The reassertion of the limits of the market in the form of scarce and costly credit suppresses the ambitions of producers, reinforcing the competitive pressure to intensify exploitation so as to maintain solvency. The stability of credit depends on the ability of capital to exploit labour effectively. However, the imposition of tight money is fraught with contradictions. Productive accumulation has to succeed in order for money capital to be sustained, while the failure to turn credit into productive command over labour reasserts, for productive captial, the limits of the market to realise capital profitably in the form of insolvency and bankruptcy. The reassertion of the limits of the market through a policy of tight money sacrifices productive activity and labour on the altar of money, precipitating a default of credit as a claim on future surplus value. The substance of money as form of value is labour, the acceptability of money as legal tender being guaranteed by the effective command of capital over labour (i.e. the acceptance of credit as a proportion of future surplus value). The guarantee of credit depends on the containment of labour within the limits of capital: integration of the labour with the valorisation process and the integration of abstract labour with the value form.

A Keynesian policy of easy credit helps to prevent overaccumulation from leading to price wars, mass bankruptcy and depression. However, an easy credit policy does not resolve overaccumulation, nor does the growth of the market which it stimulates (i.e. demand management)(Guttmann 1976;Altvater et.al. 1976;Mattick 1976; Rödel/Brandes 1976;Clarke 1988b). A Keynesian credit policy fuels overaccumulation through the way in which the working class is integrated through the guarantee of full-employment growth and the underwriting of profits by the creation of demand. The increase in the money supply, through the extension of credit and state loans, provides the guarantee that price increases can be realised, permitting accumulation and the maintenance of full-employment growth on an ever growing inflationary spiral. While depreciation charges might be absorbed through credit-expansion and while unemployment is postponed, the tendency to overaccumulation accelerates, expressing itself in the form of price increases, budget difficulties, speculative pressure on currency and growing devaluation of money capital through inflation, erosion of confidence in the domestic organisation of money, threat to formal exchange equality of national currency on the world market, and, ultimately, a possible collapse of international credit-relations. Credit-sustained overaccumulation tiptoes on the edge of collapse, the manifestation of which will be ever the more severe the greater overaccumulation sustained by credit. The expansion of capitalist production through credit expansion and growing state expenditure, domestically and internationally, only eventually exacerbates the very tendencies which these policies sought to regulate in the first place (Altvater et.al. 1976; Mattick 1976). The reassertion of monetary constraint over the state manifests a barrier to the integration of the working class on the basis of social reform and demand management. A monetarist credit policy seeks to rectify overaccumulation by reimposing the limits of the market through a restrictive monetary policy, reinforcing politically devaluation and liquidation of capital as well as unemployment. The reimposition of the limits of the market through a policy of tight money and high interest rates involves the enforcement of debt over the state, the working class and capital. Such a policy makes it expensive for reproductive capital to draw additional means of payment required to sustain productive activity and employment, while high interest rates accelerate capital insolvency and liquidation.

Although high interest rates make it possible for banks to absorb heavy losses without defaulting, a policy of tight money threatens to undermine the whole process upon which accumulation rests: expansion of credit. Productive activity cannot be sacrificed because money exists only in and through labour - production of surplus value. The attempt to reimpose the capitalist form of social reproduction through high interest rate policies reinforces the slump in productive activity as credit for outside financing gets scarce and costly and as debt service becomes more expensive. The credit-system tiptoes on the edge of collapse through the default of the claim on surplus value.

Both monetarism and Keynesianism are political phenomena of the contradictory unity of the abstract category of labour and the value form. Keynesian and monetarist money policies are distinct moments of the dialectical continuum of the unity-in-separation of production and circulation. While Keynesianism seeks to sustain the unity by establishing demand which sustains overaccumulation through debt and inflationary pressure on profits, discriminating against, and precipitating a collapse of, the elementary form of money capital, monetarism seeks to rectify disunity between production and circulation by sacrificing reproductive accumulation on the altar of money. Such a restriction of the ambitions of reproductive capital reproduces threatens the production of surplus value and as such the credit system itself. Although Keynesian and monetarist monetary policies can, to a certain degree, moderate the disunity between production and circulation, neither offers a solution of how to resolve the contradictions of capitalist reproduction. Keynesian and monetarist monetary policies seek to rectify the disruptive tension between distinct moments of social capital (i.e. productive and money capital) from different extremes, threatening to intensify the tension by sacrificing one moment in favour of the other. The difference between monetarism and Keynesianism is political concerning the way in which the productive power of labour is subordinated to value production, i.e. the political integration of labour. The reimposition of formal exchange equality depends on the containment of labour's disruptive power to resist deflationary attack and the reassertion of capitalist domination over labour's productive power. The attempt to restore financial stability is a question of enforcing debt over the working class and of imposing work so as to sustain credit as a claim on surplus value. The containment of the working class on the basis of tight monetary control implies the guarantee of credit through bigger reserves, securing the convertibility of credit in tax payment. Further, the contraction of the money supply involves a restriction on the ambitions of functioning capital as credit-sustaining of accumulation gets more expensive in the face of scarce money with which to maintain the exploitation of labour. In order to prevent insolvency, reproductive capitalists have to guarantee credit as claim on surplus value by intensifying labour and by restraining wages. The reassertion of the limits of the market in the form of scarce and costly credit implies the imposition of the power of money as social command to confine social reproduction within the limits of the reproduction of capital: intensification of work, job losses and deteriorating living standards.

The reimposition of the limits of capital over the working class concerns the state in imposing the generality of social existence (value production) over the social in and through the elementary form of capital (Marazzi 1976). The state is thus conceived of as imposing the elementary form of capital (money) over the working class through a policy of state austerity. The imposition of the money power of capital involves the state in safeguarding the enforcement of debt through coercion, binding the present to the future in the attempt to make certain the turn over of a claim on social life into effective command over labour in the future. In this process, the self-contradictory form of the state attains generality as the "harmonies' last refuge" (Marx 1973, p. 886), harmonies of formal equality and formal freedom upon which the historical constitution of the state rests. The state as the harmonies' last refuge represents thus 'communal interest', imposing formal exchange equality in and through the sacrificing of social life to the meaningless form of the money power of capital. The imposition of the market involves the state in imposing the lurid face of equality in the form of money over society, reimposing economic freedom as the abstract average of equality, the incarnation of which is money. The state attains existence as the collective representative of money in command: i.e. the subordination of the conditions of life to monetary scarcity, involving law and order control as its preconditions, premise and result. The reimposition of the limits of the market involves not only the subordination of the working class to monetary scarcity but, more fundamentally, the monetary decomposition of class relations on the basis of the wage relation. Capital cannot autonomise itself from labour. Rather, it has to contain labour within the form of value as the condition of its own existence. Monetary constraint over the state asserts the limits to containing labour through policies of social reform. Such limits assert pressures to reimpose the individualistic pillage of social cooperation, i.e. the political imposition of the limits of the market as the paradigmatic form of formal freedom. The reimposition of the market involves the class struggle over the containment of class in a mode of being denied, i.e. the recomposition of class on the basis of the category of citizen; the precondition and premise of the form of the capitalist state.

Notes

1: On the conceptualisation of the state in term of the base/superstructure metaphor see Jessop (1982). The widely canvassed version of Marx's base superstructure metaphor in state theory, that is the superstructure arising on the economic base, is not only misleading in view of the state but also regarding Marx's theory itself. The triumph of the base superstructure metaphor in structuralist Marxism was the triumph of what Marx termed in Capital vol. I abstract materialism over what I see as the substance of his work (substantive abstraction, see later). However, this triumph constituted the dissolution of both which can be seen in Poulantzas's (1980) later work where he attempts to derive the state not from the economic base but from the social relations of production.

2: According to Marx's (1983, p. 141) the global movement of money "acquires to the full extent the character of the commodity whose bodily form is also the immediate social incarnation of human labour in the abstract". For a formalist derivation of money see Reuten 1988.

3: The term abstraction of points towards the development from the actual social processes to the social form in which they exist (see Marx 1983;Lukács 1971). The notion of substantive abstraction is identical in meaning with Marx's (1973) notion of the abstract as existing within the concrete and vice versa.

4: The tendency of the rate of profit to fall was heralded by Marx (1973, p. 748) as the "most important law of modern political economy". An understanding of the necessity of crisis on the basis of the tendency of the rate of profit to fall sees crisis as being rooted in the production of surplus value. This understanding supposes that a theory of crisis has to leave aside 'market relations' because the disequilibrium on the market which might contingently arise merely contains the possibility of crisis and not its materialist necessity. Rather, it is the manifestation of the tendency of the rate of profit to fall which is seen as the cause of crisis. The unity-in-difference between production and circulation is neglected as the specificity of the form of production is seen as the causal nexus for understanding crisis.

The tendency of the rate of profit to fall is seen by Hirsch (1978a) as a manifestation of the 'internal logic of capital' providing the 'objective foundation for the class struggle'. "What decisively determines the process of accumulation and, according to Marx, constitutes the essential point of analysis, are the transformations in the composition of capital, which inevitably come about in the course of the accumulation process and with the development of the productive forces advanced through this process" (p. 67-68). The revolutionising of the forces of production manifests the inevitability of crisis because of the rise in the organic composition of capital relative to the rate of exploitation, a development which finds an expression in a falling rate of profit. The manifestation of this tendency is seen as the cause of the crisis because a declining rate of profit reaches a point at which the produced mass of profit is to small relative to expanded accumulation of realised profits (ibid.).

While there should be no doubt that a fall in the rate of profit might lead to crisis, the law is not a sufficient condition to understand crisis. How much is a rate of profit to fall to trigger crisis? In which way does a falling rate of profit lead to overaccumulation? Is overaccumulation a mere consequence of falling rates of profit? How does a falling rate of profit prohibit accumulation?, since, according to Marx (1966), a falling rate of profit might coincide with an increasing mass of surplus value. The answers provided by Hirsch are hypothetical since the law of the tendency of the rate of profit to fall is understood in an a priori manner expressing the internal logic of capital. Treating the law of the tendency of the rate of profit to fall in this way entails, by implication, a technological determinist understanding of social reality because everything depends on the technical composition of

capital and the social forces that act on it in a way determined by the logic of capital (see also Reuten 1989). The class struggle is dismissed because class struggle plays no role in the internal logic of capital. The tendency of the rate of profit to fall manifests, according to Hirsch, the crisis-ridden framework of the 'objective laws of motion' within which 'subjects act'. Lastly, this conceptualisation of crisis dismisses the contradictory relation between production and circulation as different moments of the one process of the category of abstract labour in action. This understanding of crisis merely generalises a particular moment of the crisis-ridden development of accumulation to which other elements have to be added (see Reuten 1989). While the law of the tendency of the rate of profit to fall is seen as primary, it attains generality as the determining variable, subordinating accumulation as a moment dependent on it. This understanding confuses the dialectical interrelation between different moments as premises and presuppositions of one another in and through the social relation which constitutes them. Rather than seeing the law in question as primary, it needs to be seen as mode of existence/motion of the historical specific form of labour (i.e. social reproduction in the form of capital).
5: Approaches that stress the class struggle as the immediate cause for capital to take the form of crisis are misleading. The understanding of crisis as an expression of the inevitability of the struggle between capital and labour over and against domination can be systematised into two different approaches: the reformism of the profit squeeze and 'autonomist Marxism' (cf. Cleaver 1989). While both approaches stress the militancy of the working class as being at the heart of capitalist crisis, the profit squeeze discusses the militancy of the working class in terms of the wage struggle. The autonomist approach, on the other hand, understands crisis as a manifestation of working class self- determination against the imposition of work ('strategy of refusal', cf. Tronti 1979) and, as such, as an 'attack' on surplus value production tout court. I concentrate here on discussing the autonomist understanding of crisis.
Autonomist Marxism sees the cause of the crisis as being rooted in the inevitability of class struggle that undermines capital's domination. Capital responds to the rupture of its domination by restructuring the production process through new means of control (means of production). Restructuring and crisis are understood as creative inasmuch as it intensifies the class struggle and recomposes the power of labour within and beyond the factory. Thus, capital's response to crisis constitutes the power of the working class as restructuring leads to an ever more fully socialised presence of labour against capital (see Negri 1988, 1989). Crisis erupts in the form of a cyclical pattern of class struggle (de- and recomposition of class). Capital's crisis is seen as inevitable because of the inevitability of the class struggle. "Marx defines the crisis as the necessity for capitalism to enact a general devaluation and overall re-alignment of the relations of production in situations where the pressure of the working class and the proletariat on the rate of profit has become irresistible" (Negri 1979a, p. 40). A falling rate of profit has disruptive effects for the circulation of capital, precipitating a crisis of money, especially in the form of a chain of defaults of the credit-system.
The necessity of crisis cannot be found in the immediate production process simpliciter (Marx 1974b, p. 513). This is not to say that the possibility of crisis is not entailed in production. The production process is process of appropriation of labour (exploitation). However, production exists only in and through circulation and vice versa. The contradictory unity of both cannot be systematised in terms of cause (working class power) and effect (disruption of circulation and the development of pathological forms of domination reflecting back on production); crisis cannot obtain in production separated from the imposition of work through the commodity form. The understanding of crisis founded on the primacy of the class struggle against domination does not provide an understanding of the necessity of capitalist reproduction to take the form of crisis. It rather conceptualises the possibility of crisis while focusing on the elementary form of crisis (class struggle). In other words, the autonomist theory of crisis is not so much a theory of crisis but an essentialist theory of the inevitability of the class struggle.
6: A theory of crisis based on the notion of proportionality is put forward by Aglietta (1979). In this approach, the generalisation of a particular method of production based on a particular form of technology reaches a point of exhaustion. This exhaustion is signposted by an increase in the organic composition of capital that makes it more and more difficult to

increase productivity, putting pressure on the rate of profit and increasing unemployment. Disproportion is more pronounced in department I (production of the means of production) causing an uneven development between the two branches of production (Driver 1981). The tendency of the rate of profit to fall defines the limits of accumulation consequent upon the disruption of proportionality between the departments of production. The relative decrease in productivity leads to intensified competition which, in turn, intensifies overaccumulation in the department which produces the means of production leading to an immense devaluation of fixed capital. Crisis takes the form of unemployment and inflation that forces the state to cut welfare spending, undermining the regulative forms of social reproduction. The social mechanisms that ensure proportionality are in disarray because of the exhaustion of the productive potentials of a given method of production. The structural reintegration of production in terms of proportionality is founded on the implementation of new technology and a new set of regulative forms that permit reproduction. In the event, this approach sees the break down of mechanisms which ensure reproduction as the cause of the crisis. The Keynesian foundation of this understanding of crisis need not to be discussed here (see Mahnkopf 1988;Clarke 1988b).

7: 'Feudalism' is used here in its analytical and popular sense: i.e. the constitution of social relations in and through personal relations of domination. For a discussion on feudal society and the rise of capitalist social relations see Gerstenberger (1990).

8: See Marx on the 'Jewish Question' where he makes it clear that the right of property is not merely one right among others but, rather, the paradigmatic right.

9: However, while safeguarding the right of property, the state has no power to guaranteeing the realisation of appropriated labour by capital. The state is a mode of existence of the social relation of capital and labour and, as such, a distinct moment of the process of abstract wealth.

10: In Liberalism, right is merely seen as an abstraction from, as opposed to an abstraction of, social reality. This is so because the social unity of object and subject is regulated under the universality of bourgeois right, permitting a philosophy of law as a normative philosophy, i.e. the instantiation of rights as the highest social concept of human existence.

Chapter III

CRISIS OF ACCUMULATION

This chapter analyses the crisis of domination over labour's productive and disruptive power. Attention focuses on the constitution of this crisis in the form of a growing tension between different value forms, money and productive capital. The chapter is divided into two sections. The first section concentrates on the crisis of capitalist domination over labour. The second section summarises the implications of the crisis-ridden autonomisation of the global flow of money capital for the state and looks at the way in which the UK is integrated into the world market.

I Crisis of Accumulation

-General Overview

The key to the reconstruction of capitalist accumulation after the second world war was the new discipline imposed on labour through recession, the experience of fascism and war and managerial innovations associated with assembly line work. Further, accumulation was sustained by huge markets and cheap access to raw material. The tendency of the organic composition of capital to rise was compensated for by a high rate of exploitation (Mandel 1975, pp. 147). Alongside the massive devaluation and liquidation of productive capacity through the depression of the 1930's and the war, the increase in the rate of surplus value provided the foundation for post-war prosperity. Further, post-war reconstruction was based on the recomposition of the role of the state associated with political reformers like Keynes and Beverige. The sense of capitalism's failure during the inter-war period and the tremendous working class unrest before the 1930's gave rise to the Keynesian conception of the interventionist state. As the failure of capitalism was understood as being caused by a lack of effective demand for commodities produced, the state's role was to generate demand through deficit spending, i.e. state expenditure based on credit. Keynesian state intervention means that a significant portion of surplus value is channelled to the state through taxation and redirected by the state through expenditure. Such a channelling of surplus value through the state was not new. What was new was the scale on which it was considered legitimate and the scale on which it was considered legitimate for the state to channel monetary claims on future surplus value through credit expansion. Neither credit nor deficit budgeting was new. However, Keynesianism raised them to a principle of capitalist reproduction. Demand management through deficit financing means precisely the use of credit, i.e. the creation of monetary claims on not-yet existing surplus value, in order to guarantee full-employment growth. Inherent in Keynesianism was the divorce of money from existing value, the uncoupling of monetary from real accumulation.

Upon the new discipline imposed on labour through recession and war, the Keynesian 'revolution' in political economy recognised the strength of labour by integrating the trade unions into the state. The quid pro quo for trade union co-operation was the welfare state and the commitment to full-employment growth policies. The political quid pro quo for co-operation was the subordination of the working class to national values, a subordination which was to be policed by the trade unions. In the UK, the post-war institutionalisation of the balance of class forces was articulated in the Beverige report. This report put quite clearly the "responsibility for the avoidance of inflation on the unions, demanding a united wage-restraint policy as a quid pro quo for full employment and social services" (Panitch 1986, p. 88). The recognition of the trade unions expressed in institutional form the strength of the working class. The power of labour was recognised in the form of demand; demand management became the principal goal of state economic policy (Negri 1988a). The containment of labour on the basis of demand rested on the disorganisation of class as class (i.e. the working class as consumer). The disorganisation of class on the basis of demand involved the politicising of the wage relation through the political guarantee of employment and general prosperity. Rising wages, as well as rising social expenditure, and the expansion of credit to sustain full-employment growth constituted the post-war institutionalisation of a particular balance of class forces. Capital had to pay for relative industrial and social peace in form of rising wages and welfare expenditure. The Keynesian attempt to contain labour was achieved at the cost of potential monetary instability.

The form and substance of the Keynesian reconstruction of political economy was the international dimension of deficit demand management. The Keynesian recomposition of the role of the state vis-a-vis capital and the working class involved a close integration of the multiplicity of states into the international circuit of capital (see v. Braunmühl 1978). The form and substance of the international integration of nation states was based, fundamentally, on three elements: the consolidation of the dominant position of the US circumscribed through the maintenance of gold as the guarantee both of the dollar and US supremacy (the US owned most of the world's monetary gold); the stabilisation agreement between the US and other capitalist countries through the Marshall Plan, pumping dollars into the reconstruction of capitalism in Europe; and the fixing of the US's imperialist relationships through military pacts (NATO). The immense transfer of dollars into Europe stabilised the international basis for accumulation and provided the financial foundation for integrating the working class on the basis of income and employment guarantees as well as social reform (see Clarke 1988a;Armstrong et.al. 1984). The Bretton Woods agreement was one of the cornerstones of post-war reconstruction. The system of Bretton Woods regulated the international deficit financing of demand on the world market on the basis of an inflationary supply of dollars to the rest of the world. Bretton Woods institutionalised the competition between, and mutual dependence of, nation states on the basis of a global demand management built around the recognition of the dollar as the key international currency. The centre of Bretton Woods was the dollar which was defined in parity to gold. National currency was subordinated to the dollar which performed in the dual function of international and national currency. National currency was tied to the dollar by fixed exchange rates, which could be altered only in the case of fundamental disequilibrium and on the basis of an international agreement (Hübner 1988). National banks were obliged to intervene in currency when the market exchange of currency deviated above or below the predetermined margins (ibid.). The aim of Bretton Woods was to protect productive accumulation against exchange risks and to protect national economies and accumulation against speculation on raw material and currency markets. The system of Bretton Woods was designed to reduce the danger of trade wars between the main capitalist nations by fixing the conditions of international exchange and by insulating national currencies from short-term speculation on the international money markets. The institution designed to finance short term balance of payment imbalances and to police the containment of labour within internationally agreed margins of currency deviation was the International Monetary Fund (hereafter: IMF). The role of the IMF was to provide international liquidity so as to safeguard the functioning of Bretton Woods in times of difficulties.

The dual function of the dollar meant that the only source of international liquidity on the world market was a constant US balance of payment deficit (Hübner 1988). The international supply of dollars made it possible for the US to meet monetary constraint on its trade balance by expanding the supply of dollars (global demand management through the inflationary supply of dollars). As long as the US was a net exporter, the dollar functioned as credit that was supplied to other countries as a means of exchange for US produced commodities. These dollars did not perform as means of payment but as credit whose realisation as means of payment existed as settlement future (Innes 1981). The stability of Bretton Woods depended on an US trade surplus compensating for balance of payment deficits.

-Destabilisation and break-down of global demand management

By the mid 1960's, the expansion of international liquidity developed a market in dollars outside the regulation and control of the US. This market is usually referred to as the Eurodollar market. The development of the Eurodollar market coincided with the recovery of capitalist economies in other countries after the war and a gradual decline in the superiority of the US economy (Mandel 1981). The shortage of international liquidity after the war gradually changed into a dollar saturation which started towards the end of the 1950's. The dollars that were previously spent to realise commodities exported from the US national economy, were increasingly transformed into reserves in European banks (Wachtel 1987). These dollars were thus no longer repatriated to the US. They existed outside the control of US regulation and were used as a means of credit for both public authorities and for private capital. Eurodollar markets developed in the early 1960's: there was a growth of an international market which existed outside all state control, and which existed alongside the national, regulated markets. By 1969, other capitalist countries held $40 billion dollars compared with $11 billion in 1964 (Wachtel 1987, p. 22). This figure far exceeded the gold held in the US reserves. All these dollars existed as a claim on the US gold reserves. Under these circumstances, the convertibility of the dollar into gold began to appear more and more fragile. The very institutional arrangement upon which Bretton Woods rested was thereby threatened.

The conditions that had prevented the tendency to overaccumulation from manifesting itself were exhausted by the end of the 1960's. The key to the declining rate of profit and capitalist overaccumulation (documented, <u>inter alia</u>, by Mandel 1975;Glyn/Sutcliffe 1972;Armstrong <u>et.al.</u> 1984) was that the unfettered development of the productive power of labour reached the barrier of its capitalist form. The productive power of labour produced too much capital relative to the capacity of the market to realise, with adequate rates of profit, the surplus value created in production. Secondly, the exploitation of labour was getting more and more expensive because of higher wage demands and, most fundamentally, because of a rise in the investment required to set labour in motion in production. Even under conditions of a rising rate of exploitation, increasing costs of production tend to decrease the rate of profit and reduce the rate of accumulation, permitting an overaccumulation of capital. The rate of exploitation failed to compensate for a rising organic composition of capital. In order to exploit labour effectively capital required to invest an ever increasing amount of labour saving machinery and raw materials. The rising costs of exploitation expresses the difficulties of capitalist reproduction, which, between 1968 and 1973, led to the slowing of growth of productivity in all major economies (Armstrong et.al. 1984, p. 249). As profits fell and as the costs of appropriating labour's productive power increased, two things happened: on the one hand capital borrowed more money to make up for falling profits so as to overcome difficulties for expanded accumulation, and, on the other, earned profits were increasingly placed on money markets, either because of the risks of productive investment or because earned profits were not big enough for instant reconversion into productive investment.

The disruptive strength of the working class that Keynesian demand management sought to contain through full-employment guarantees and demand made itself felt by the end of the 1960's in resistance to intensification of work and income policies. Complaints about loss of managerial control over the workplace exacerbated in the late 1960's and early 1970's (Holloway 1987). In the face of labour's power to resist the imposition of new working practices, the establishment of effective control over labour became more and more difficult, as expressed in growing wage demands, often accompanied by the threat of strike action (Armstrong et.al. 1984). Further, capital's attempt to contain the productive power of labour by intensifying work and by imposing new working practices involved that the wage became less and less effective to control the disruptive power of labour. The attempt to transform protest into demand became less effective because of growing inflationary pressure on wages and working class resistance to the Keynesian quid pro quo (i.e. higher wages for intensified work). So-called 'autonomous' forms of unrest (CSE 1979, 1980;Aglietta 1979;Hirsch 1980) threatened to undermine the role performed by the trade unions and to challenge capital's organisation production. The May events in France in 1968, Italy's 'hot autumn' of 1969 (CSE 1979), Germany's 'September strikes' of 1969 (Roth 1976) and the UK's wave of unrest against Wilson's attempt to impose income ceilings and labour laws and against Heath's deflationary policies in the early 1970's, manifested a revolt against capital's attempt to impose the valorisation over the labour process. In the face of falling rates of profit, decreasing rates of growth and readily available, and relatively cheap, credit, governments responded by inflationary expansion of credit. This development helped to sustain relatively unproductive producers. This sustaining of productive activity maintained employment and fuelled overaccumulation of capital as devaluation of surplus capacity was, to a large extent, prevented.

The productive power of labour expressed itself in the spill over of earned profits into interest bearing investment. This capital, in turn, was used as credit by functioning capital and political authorities. The credit-sustaining of accumulation coincided with an overextension of the credit-system. The credit expansion was made possible by the build up of surplus liquidity in the developing Eurodollar markets during the 1960's. By the end of the 1960's, the containment of labour's productive power within the form of capital through deficit financing and speculative deferral of capital devaluation was transformed into a growing tension between money and productive capital. The expansive use of credit coincided with declining rates of accumulation, falling rates of profit and industrial unrest against intensification of work and pressure on wages. The overextension of the credit- system expresses the overaccumulation of capital as earned profits were no longer reconverted into expanded capitalist exploitation of labour. In the face of readily available, and relatively cheap, credit on developing Eurodollar markets, the containment of labour through credit-expansion involved a speculative deferral of capital devaluation. Credit-sustained accumulation constituted the crisis of domination over labour for exploitation in the form of a growing conflict between functioning and money capital. Money capital placed on to money markets was called upon as credit by public authorities and productive capital in the attempt to alleviate difficulties in containing the power of labour. The inflationary growth of the money supply through the issue of credit outside the control of central banks, most importantly the Federal Reserve, moved into increasingly speculative and unproductive channels (i.e. speculation in raw material markets and exchange rate fluctuations). The movement of this capital, however, was still officially regulated within the system of Bretton Woods. In the face of a growing competitive strength of the US's main allies and a growing competitive erosion of the US's national economy, more and more dollars were placed on Eurodollar markets (see Strange 1986). The inflationary supply of dollars by far exceeded the gold kept in Ford Knox, permitting a dollar overhang in relation to gold (Glyn/Harrison 1980;Strange 1986). The parity of gold, at a fixed price of £35 per ounce (Wachtel 1987, p. 21) was increasingly difficult to maintain.

The failure to contain the class struggle through a policy of state austerity increased the tension between functioning capital and the credit-system. Accumulation was increasingly sustained by credit, resulting in a growing inflationary pressure on wages and the rate of profit. At the same time, the pyramid of debt consequent upon credit-sustained accumulation, threatened the role of the dollar as international currency. By the end of the 1960's, the controls laid down at Bretton Wood failed. The inflationary environment of post-war reconstruction became a serious political issue by the late 1960's. When the repatriation of foreign held dollars through the US trade surplus diminished, the US were forced to underwrite Bretton Woods by selling its relative stock of gold (Hübner 1988). The deterioration of the US's balance of trade expressed itself in a growing overliquidity of money in the form of Eurodollars. Official purchases of dollars, with which national governments sought to underwrite Bretton Woods, accelerated inflation which, by the end of the 1960's, was assuming global dimensions. While deficits were financed by a pyramid of international credit which had been built since the late 1950's, growing inflationary pressure progressively eroded the value of money. At the same time, confidence in the convertibility of credit in means of payment deteriorated. Rather than financing a productive expansion of capital's command over labour, the expansion of credit maintained reproduction through a speculative deferral of capital devaluation. The inflationary growth of the global flow of money constituted the crisis of capitalist command over the productive power of labour in the form of a disruption of the international regulation of the money power of capital. In the face of the uncoupling between the internationally regulated and unregulated money markets the crisis-ridden development of accumulation was more and more processed through the movement of money on unregulated markets and not through the international regulation of money and credit (Schubert 1985). Growing balance of payment deficits implied that the ability of central banks to act as lender of last resort was restricted.

Confidence in the validity of money was dented when the UK was forced to devalue the pound in 1967. The devaluation of the pound led to a rush to convert bills of exchange, securities and dollars outside the US into bank money, and all this bank money, in turn, into gold. In the face of declining rates of profits and productivity, working class unrest, political tension, and growing outside financing of reproductive activity at the end of the 1960's (see Schubert 1985), the dollar was called upon as means of payment - a role the dollar could not meet (Innes 1981). As money holders rejected the emission of the 'phantom dollar' (Mattick 1976;Innes

1981) and demanded real payment (gold), the crisis of overaccumulation turned into a severe monetary crisis. The "international wave of struggle beginning in the mid 1960s meant the breakdown of the whole system of international stratification of command over living labour, upon which the gold-dollar exchange was based" (Marazzi 1976, p. 97). In the face of a growing incongruence between externally held dollars and the US gold reserve, the US was neither willing nor capable of performing the task of underwriting Bretton Woods and of guaranteeing the conversion of the dollar into gold (Hübner 1988). The rupture of Bretton Woods was officially acknowledged when the Nixon administration announced the freeing of the dollar from gold parity (1971), ended fixed exchange rates of other currency to the dollar (1973) and devalued the dollar in 1973.

The sustaining of accumulation through credit-expansion postponed economic recession until shortly after the official deregulation of the international circulation of money in 1971/3. Following upon the quadrupling of oil prices at the end of 1973, which in its effect coincided with a downturn of accumulation, output stagnated or fell in most industrial countries. Further, expansionary policies resulted in a rising rate of inflation. By 1973, the US monetary authorities "moved to restrict the supply of reserves to the banking system", resulting in a rise of interest rates to record levels (Evans 1985, p. 114). By 1974, the recession had hit all advanced capitalist countries. The chain of bankruptcies and defaults was not confined to productive capital, but included the banking system. When the crisis struck, the banking system was overextended consequent upon the massive transfer of loanable capital into financing productive activity and public spending. "The most serious international aspect of the crisis was in the unregulated Euromarkets, where many banks made substantial losses. In the absence of an international lender of last resort, a serious collapse of confidence between banks was only averted as a result of concerted action by several Central Banks, most notable the US Federal Reserve and the Bank of England" (Evans 1985, p. 115). In the face of bad debt, banks found it increasingly difficult, in the early 1970's, to balance their accounts, a development that led to a chain of default that liquidated the Herstadt Bank (FRG) in 1974. Various other banks experienced similar difficulties and generated huge losses (Hessenland Bank, Franfurterhandels Bank (FRG);Lyods Bank International, London County Securities (UK);Union Bank (Switzerland) and the U.S. National Bank of San Diego (U.S.) (see Itoh 1978).

-Deregulation of the international flow of money and the state

In contrast to 1929, the rupture of the international composition of order did not dethrone the dollar, as was the case with the pound in 1929. When the US abandoned convertibility of the dollar into gold in 1971, the "US made it impossible for holders of dollars to exchange them for gold, thereby strengthening the dollar in its function as means of payment" (Innes 1981, p. 25). Further, when the US finally devalued the dollar in 1973, the US reduced its deficit and devalued dollars that were held in other countries. The devaluation of the dollar against other currency by 1973 strengthened the dollar because of the effective reversal of the US's trade deficit into a surplus and a reduction of the balance of payments (Innes 1981). "The pressure on the banking system was relieved by an upturn in the world economy by Spring 1975" (Evans 1985, p. 115). The upturn focused on the US. The US enhanced its competitive position on the world market relative to its main rivals as cheaper export prices undercut its competitors. The leading role of the dollar imposed on the rest of the world a kind of forced self-discipline. Other national economies had to support the dollar in the attempt to prevent the global reproduction of capital from collapsing. However, the depreciation of the dollar in 1973 that strengthened the export sector of the US economy did not cause an immediate acceleration of inflation in the US. This development made possible credit-sustained accumulation internationally, enhancing a Keynesian inspired processing of the aspiration of the working class until the mid 1970's. Keynesians celebrated the deregulation of the international flow of money as a form of flexibilisation that would make a Keynesian policy universally more elastic (see Itoh 1978). Deregulation was seen as removing restrictions to the international balance of payments. Alongside the financing of an US balance of payments deficit through its balance of trade surplus, the enormous spill-over of capital into money markets and the relatively low rate of interest for credit after the slump in 1974 (Schubert 1985;Hübner 1988) provided relatively cheap access to liquidity on international monetary markets. This made possible the containment of labour through deficit financing of balance of payments imbalances. In the face of industrial relations problems, access to international liquidity made it possible for reproductive capital to postpone restructuring, while weaker capitals avoided devaluation and liquidation through a policy of easy credit and state-deficit underwriting of profits. While the 'rest of the world' had no option but to adjust monetary polices to the pressure of the international movement of money capital that was politically and economically backed by the US, the breathing space created by cheap cost of credit gave the illusion of restored accumulation which, in fact, was sustained in an increasingly speculative dimension.

A deflationary attack on the working class had failed in the late 1960's and early 1970's, domestically and internationally. In response to the tremendous social unrest at that time, expansionary policies were reinvoked as a means to transform protest into demand and full employment guarantees (see 'Modell Deutschland and the social contract in the UK). This institutionalisation of the political strength of the working class established deficit financing of accumulation and accelerated inflation as a means of social peace. In the face of labour's disruptive and productive power, the expansion of credit was driven forward by the demand for credit both by productive capital and the state seeking to transform protest into demand, and by the supply of loanable capital seeking a more secure return than that which could be obtained from direct productive investment. The deregulation of the system of Bretton Woods established the Eurodollar market as the international system that provided means of payment. The Eurodollar market constituted an important shift in the international composition of domination. After 1973, the international credit-system was dominated by multinational banks which determined, to a great extent, the availability of international means of payment (see McCracken 1977). The Eurodollar market took over aspects of a developed domestic credit-system. This credit-sytem operated globally and independently from central banks. Speculative capital took over the function of national and international institutions, providing the finance for deficit spending of balance payment deficits (ibid.). Additionally, the break-down of Bretton Woods involved the abandonment of currency relations in a fixed relation to the dollar and the deregulation of currency relations. This deregulation is referred to as the floating of exchange rates. Floating established multi-currency standards with flexible rates between them (see Strange 1986; Hübner 1988). This integration of national economies on the world market opened up possibilities for capital to engage in currency speculation globally, reimposing monetary discipline over national governments through the destabilising movement of speculative capital against currency. The crisis-ridden tension between monetary and productive accumulation impinged on the state in the form of pressure on exchange rates. This pressure was generated by the movement of capital in and out of a particular currency. In view of the difficulty of containing labour's productive and disruptive power within the limits of capitalist reproduction, the money power of capital superimposed monetary constraint on the way in which nation states sought to contain the class struggle. The monetary constraint asserted itself in the form of speculative checks on the productive imposition of work in any one country. The movement of capital on international money markets involved uncertainties once the recomposition of the international order had been achieved. The "uncertainty that rules the financial world spills over not only to industry but also into the fortunes of governments and of countries - and sooner or later into the relation between the states" (Strange 1986, p. 3). United in their concern to ease pressure on international money markets, the rivalry between nation states concerned the way in which these pressures were to be moderated. Interimperialist rivalry took the form of interest rate policies with which governments sought to stabilise exchange rates so as to maintain and improve formal exchange equality of domestic accumulation on the world market. The international comparison of national wealth through the movement of money capital made the balance of payments and budget deficits important variables for the ability of nation states to guarantee formal exchange equality on the world market through the stability of national currency. Such stability depended on the ability of the state to guarantee all money as claim on the reserves, a claim which itself rests on the subordination of the working class to the limits of capital.

The international credit-system that provided the credit for deficit financing of public expenditure, balance of payment deficits and outside financing of productive activity was institutionalised in the Eurodollar market. On Eurodollar markets there is no regulation, no control, no central bank as lender of last resort and no laws (Delmaide 1986;Wachtel 1987). The only regulation of Eurodollar supply beyond the risk taken by the banks is the cost of credit, that is the interest rates "which themselves depend on Fed's own interest rate on American soil" (Lipietz 1985a, p. 96)(1). In this sense Eurodollars are not stateless. Money on unregulated money and credit markets exists as a claim on central bank money. "What distinguishes a Eurodollardeposit from a 'native' dollar deposit is that it is the liability of a bank located outside the USA ... Eurodollar deposits are, however, readily convertible into native dollars, since they are all promises to pay dollars in New York: the debtor normally settles by cable transfers on New York, which serves as a clearinghouse for transfers of Eurodollar deposits, following instructions from foreign centres" (Tew 1982, p. 139). The national bank has obligations towards the Eurodollar bank which operates outside the regulation, laws and controls of the central bank and political authorities. The Eurodollar while existing independently from national regulation, exists as a claim on the central bank dollar. Deposits of dollars in the Eurodollar bank are claims on central bank dollars. In Eurodollar markets money is replaced by a claim on money.

The concept of the Eurodollar makes sense only in the context of a claim on money that exists as an equivalent of a particular money volume in national reserves, particularly in the Federal reserve. The break-down of Bretton Woods and the deregulation of international money and credit relations in 1971/3 led to a development in which the state "took over the function of gold as means of payment by acting as guarantor of the credit system" (Innes 1981, p. 9). The state now guarantees the "exchangeability of all money - it is no longer possible to devalue the total supply of money by destroying the money created by just a few banks" (Evans 1985, p. 103/4). In the face of the unregulated international money and credit markets and the speculative movement of money capital, the nation state, and its national bank, turned from redistributor of wealth in the last instance to lender of last resort. The international movement of money is backed by all states through the ability of national banks to act as lender of last resort. "This meant that national authorities needed larger, not smaller, reserves to defend floating currencies, while the latitude to pursue domestic policies independently of external considerations was reduced, not increased" (Clarke 1988a, p. 168). Larger reserves, however, depended on the ability of nation states to confine the working class within the limits of global accumulation through deflationary attack (intensification of work and the pressure on living standards) without, thereby, provoking costly and damaging strikes. In sum, national governments exercise only indirect control over much of the expansion of credit as most of the credit-markets is outside the control of national governments. At the same time, however, all states guarantee all money by acting as lender of last resort. At the same time as the national imposition of work was sustained by credit, the validity of the credit depended on the capacity of the state to guarantee the convertibility of credit into cash payment. The contradiction of the containment of labour on the basis of demand management is that the integration of the abstract category of labour with the value form is based on credit-expansion, an expansion which is guaranteed by the state through its reserves and its revenue. The deficit financing of balance of payment imbalances depended on the imposition of tight monetary control over the working class so as secure the formal exchange equality of currency through the acceptability of credit as a claim on tax revenues.

With the break-down of Bretton Woods, national organisation of money is no longer insulated from global short term speculation on money and currency markets.

Failure in managing domestic accumulation in line with the global limits of accumulation involved speculative pressure on exchange rates. Such pressure questions the formal exchange equality of national wealth on the world market and implies, in the event of the central banks losing their ability to act as lender of last resort, a possible collapse of international credit relations through a chain reaction of debt default. The movement of money capital on internationally unregulated markets sustained productive capital whose reproduction was increasingly underpinned by access to the increasingly speculative provision of credit that was provided on Eurodollar markets. Unregulated international credit relations and an ever more speculative movement of money capital integrated national economies on the world market by means of a synchronisation of falling rates of profits (Hübner 1988), balance of payment problems (O'Connor 1984) and of the business cycle. "The cyclical pattern of accumulation in the various different countries, which had previously been dominated by domestic political and economic conditions, was overridden by the cyclical pattern of accumulation on a world scale, dominated by the US" (Clarke 1988a, p 168). The deregulation of the financial system subsumed each national currency to the movement of international money, making it impossible for nation states to manage accumulation internally in a way 'incompatible' with global accumulation. The penalty for domestic failure to contain the working class within the limits of global accumulation was speculative pressure on the formal exchange equality of domestic accumulation on the world market. This pressure, institutionalised in floating exchange rates, subordinates nation states to the international flow of money.

During the 1970's, increasing inflationary pressure was assuming a speculative dimension. In the face of an inflationary expansion of the money supply, an increasingly speculative sustaining of accumulation and public and private indebtedness, domestically and internationally, the global movement of money capital "began to undermine national systems designed to control capital movements and individual governments found it increasingly difficult to resist pressure to de-control" (Thompson 1986, p. 14). The Keynesian mode of integrating labour through demand management and full-employment guarantees came up against the barrier of the capitalist form of reproduction. These barriers manifested themselves in the form of monetary constraint over public expenditure in the form of balance of payment difficulties, pressure on reserves, and a growing claim of international credit-markets on the states' revenue. The pressure to de-control implies the abandonment of an expansionary integration of labour (i.e. full employment guarantees and deficit financing of the balance of payment and demand) in favour of a policy of state austerity. Before analysing this development in greater depth, attention focuses on the growing interrelation between productive and money capital.

-Money and Productive Capital

The growth of the international money market in the 1970's is a direct expression of the underlying rupture of the profitability of reproductive accumulation (Hübner 1988), precipitated by the productive and disruptive power of labour. At the same time, class struggle over domination gave the rupture of accumulation an indecisive form as the state was forced to maintain accumulation and full-employment growth on the basis of an accumulation of debt. During the 1970's, the inflationary expansion of credit absorbed overaccumulation, while full employment was maintained in relative terms compared with the 1980's. During the 1970's, overaccumulation and crisis were not characterised by falling prices and a slump in output but, rather, by stagnant output and inflationary realisation of profit (see Gamble 1985;Gamble/ Walton 1976;Clarke 1988a;Rödel/Brandes 1976;Altvater et.al. 1979). This development gave the illusion of the profitable reproduction of capital, while, in fact, accumulation was sustained on an increasingly fictitious basis. However, growing inflationary pressure and growing reliance on credit as a means of overcoming difficulties involved a shift from the monetary constraints on the product market to the realisation of surplus value, to the limits of the credit market. It is the financial system which underpins accumulation through access to cheap credit. Money capital manifested itself no longer as a lever for expanded reproduction of capitalist command over labour but as a means of speculative deferral of bankruptcy. Monetary constraint in the form of access to credit and the inflationary erosion of profits as well as a growing share of creditors in profits, confined the ambitions of productive capital within the limits of the market.

The limits of the market asserted themselves unevenly in different branches of production. While heavy engineering, textiles, the car industry and the building industry were most severely hit, other sectors of production such as new technology production realised exorbitant profits (CSE 1980;Glyn 1982). The new technology sector was a high profit growth area in the 1970's. This sector was dominated by smaller, advantageous capitals that experimented in the production and development of new technology. The new technology sector produced the new means of production with which capital sought to revolutionise the methods of production through computerised forms of control and a higher saving ratio of variable capital (Palloix 1976;CSE 1980). The new technology sector was soon dominated by big international companies, as multinationals bought themselves into the market, taking over, or outmanoeuvring smaller capitals (CSE 1980). The outmanoeuvring of smaller capitals was mediated through the international money markets that provided the credit for take-overs and for productive investment in new technology plants. In the event, production is "dominated by a handful of companies with plants in the United States, Western Europe, Japan and the capitalist enclaves remaining under imperialist control in the South Asia. These companies have a variety of backgrounds. Some of them, like the West German giant Siemens, have their roots in the older electrical industry formed in the late 19th century" (CSE 1980, p. 20). This development increased the minimum cost for the production of new technology, expressed in a higher technical composition of capital and mass production. However, this development unleashed the working of the tendency to capitalist overaccumulation in this sector by the end of the 1970's. While entry barriers to these sectors mounted, the competitive conflict over increasingly monopolised markets intensified by the end of the 1970's. In the event, the revolutionising of labour's productive power depressed rates of profits, signalling that the time of super profits was over (Duncan 1982). In the face of a rising organic composition of capital, pressure to intensify labour mounted (ibid.). Fierce competition for market shares on oversupplied markets and the crisis-ridden process of devaluation and liquidation indicated the sudden death of what was widely regarded as the new growth area on which to build the miraculous cure of economic recovery. "Bruised and battered, drawing in their horns, some (like Acorn), at least survived; many (like Sinclair) did not" (Bassett 1986, p. 26). In 1985, the possibility of an international depression in the new technology sector seemed almost certain as shares of even some of the leading companies lost half their value (ibid.). The limits to unfettered accumulation asserted themselves in the form of monetary constraint, i.e. the limits placed by financial markets upon the provision of access to further cheap credit with which to overcome difficulties and maintain productive activity in the face of (speculative) movements of money capital on the stock market.

Excess capital was built up, and largely sustained by credit expansion and state deficit financing, in the spheres hardest hit by the crisis of overaccumulation. In the face of a low rate of profit, the high capital composition in these industries changed from entry barriers to exit barriers (Semmler 1982). While entry barriers indicate the concentration of capital in a particular industry, signalling the productive power of labour, overaccumulation turned these entry barriers to exit barriers, making it harder for productive capital engaged in these industries to apply itself to more profitable and secure ventures elsewhere, including the international money markets. At the same time, realised profits were increasingly invested as loanable capital which provided the credit for sustaining accumulation. While weaker capitals found that the only way to preserve their capital was to increase the use of credit and to intensify exploitation, more advanced capitals redeployed their capital into profitable sectors especially through growing cross-investment between multinational companies and between multinational companies and multinational banks (see Andreff 1984;Altvater 1985;Clarke 1988a; Schubert 1985). Multinational companies raised funds on international financial markets, moved their capital between branches of production and between productive and financial investment. Increased mobility of capital resulted in the closing of plant and the moving of productive investment abroad, while cash was diverted into speculative investment (see authors as diverse as Andreff 1984;Atkins 1986; Coakley 1984;Spence 1985;Clarke 1988a;Fine/Harris 1985). The growing integration between multinational companies and banks, a development first observed by Hilferding, made multinational companies on balance the net creditors on financial credit markets. The closer integration between financial and productive activities increased the mobility of multinational companies which diversified their business, acquired entry into sectors which were new for them and which provided the opportunity of higher rates of profit. As inflation accelerated in the 1970's, multinational companies were much better equipped than smaller capitals to withstand competitive pressure as they could decrease prices to outmanoeuvre smaller capitals, close down plant without liquidating their capital as a whole and move into higher profit areas. As such, inflation needs to be seen as a lever of the concentration and centralisation of capital as smaller capitals are 'selected' (cf. Altvater et.al. 1976) through bankruptcy and liquidation. The competitive advantage of multinational companies over weaker capitals let accumulation on a world scale be dominated by multinational companies that "take on the form of financial holding companies, closely integrated with multinational banks and financial interest" (Clarke 1988a, p. 3). This development makes the very distinction between financial and industrial capital increasingly anachronistic (Andreff 1984;Clarke 1988a), as it signals a global reintegration of different capitals on the basis of financial capital.

During the 1970's, the unregulated and continued expansion of credit served to stimulate the overaccumulation of capital, which acquired an increasingly inflationary form. As money capital sought to overcome the limited opportunities for the productive employment of capital and as surplus capital was diverted into ever more speculative outlets (Traber 1986), credit-sustained accumulation shifted from boom lending to speculative deferral of capital devaluation. At the same time as capitals bound by domestic constraints were sustained through the accumulation of public and private debt, deficit financing devalued money capital through growing inflationary pressure at a time at which inflation eroded profits rates and increased the cost of investment ('deflationary inflation': Mattick 1976). The overaccumulation of capital made itself felt in an increasingly depressed movement of money capital on the world market by the mid 1970's. On the other hand, the international orientation of advanced producers and their integration into financial markets entailed a greater reliance on sound monetary policies and stable currency exchange relations so as to maintain formal exchange equality on the world market and to safeguard money against inflationary devaluation. While weaker capitals reduced productive investment to the basic essentials, multinational companies were able to buy themselves into other enterprises, domestically and internationally, and to globalise their productive and financial activities. The close integration of multinational companies with the financial sector intensified the concentration and centralisation of capital on a global scale.

The globalisation of exploitation provided a means for more advanced producers of moving into less cost-intensive areas and of imposing upon a more docile work-force conditions of work which capital was, on a general basis, unable to achieve in metropolitan countries. The increase in direct investment 'abroad' was well under way before the end of the post-war boom. However, between 1970 and 1978, the globalisation of exploitation developed rapidly as "world total direct investment abroad jumped from around $150 billion to $400 billion" (Olle/Schöller 1982, p. 44). This big increase signals the difficulties faced by capital in dominating its domestic labour-forces in a way that allowed continuous accumulation, while the deregulation of international finance, that followed the break-down of Bretton Woods in the early 1970's, paved the way for using exchange rate fluctuations and international pressure on currency as a lever for 'bloody Fordism' (see Lipietz 1982,1984). Although the penetration of the world market relieved the pressure on profitability for capitals, the globalisation of production did not overcome capital overaccumulation. The globalisation of production reinforced the tendency to over-accumulation in and through the global imposition of work and the global extension of labour's productive power. Capital had to force down wages in a considerable way, to intensify labour and to revolutionise the methods of production associated with a successful mobilisation of countertendencies so as to combat a high organic composition and to liquidate excess capital without triggering a default of international credit-relations.

The globalisation of production involved the outmanoeuvring of less advanced producers bound by domestic constraints and lacking access to redeployment of their capital on the basis of financial capital. Economic growth, though it rebounded by 1976, remained slow in comparison with the rates achieved in the 1960's. The tension between the fictitious containment of labour's productive power through credit and the supremacy of the abstract equality of the money power of capital over production asserted itself in growing inflationary pressure on profits and inflationary pricing of new means of production. During the 1970's, a Keynesian policy of easy credit regulated the integration of the labour with the valorisation process on the basis of debt. The containment of labour's productive power and political strength was more and more paid for by a speculative issue of means of payment to productive capital and the state. While backward producers were sustained through credit expansion, rather than devalued and liquidated, a rather costly restructuring of the methods of production was to a large extent postponed (Aglietta 1979) because of labour's disruptive power to resist intensification of work and the recomposition of working practices while the limits of the market asserted themselves in the form of a speculative deferral of mass devaluation and liquidation of capital.

The attempt to contain labour's productive power within the concept of profitability through deficit financing and outside financing of production coincided with a spiral of debt. At the same time, working class resistance to real reductions in wages and to the recomposition of capitalist domination over labour's productive power in production forced the state to continue expanding the money supply on an ever growing inflationary basis so as not to provoke costly and damaging strikes. The result of this process was twofold: the supremacy of money capital reasserted itself in a growing indebtedness of productive capital and the state and also a growing uncoupling of different value forms from each other. This development manifested itself in the form of a decreasing importance of boom lending and a growing importance of, what Hilferding (1910/1981) called 'circulation credit', or what Altvater (1985) refers to as 'recycling credit' (2). Credit no longer performed as a means of boom lending that extends the barrier of the market. Instead, credit came to function largely as a means of preserving the social relations of production on an increasingly speculative basis. The issue of credit turned from boom lending to 'recycling lending' (Altvater 1985).

The increasing use of recycling credit pertained throughout the 1970's and 1980's, domestically and internationally. This credit does not finance expansive accumulation but, rather, alleviates pressure of illiquidity so as to enable productive capital to service debt without defaulting. This form of credit is purely speculative as it is supplied to debtors so as to enable them to meet difficulties in servicing interest on credit, if insolvency is to be prevented. The increasing use of this credit indicates the difficulty of turning credit into effective command over labour. For those capitalists receiving this kind of credit, it does not exist as means of purchase, but as means of payment, or, in the face of insolvency, as a means to defer liquidation and, hence, as postponement of credit default. The speculative dimension of this credit prevents collapse as it maintains solvency on an ever more fictitious basis that calls for an ever more drastic imposition of command in production so as to maintain financial solvency of enterprise. Continued expansion of recycling credit stimulated overaccumulation as it prohibited the devaluation of capital on a larger scale. The limits of the postponement of the rupture of overaccumulation through credit-expansion is visibly expressed in the speculative issue of credit in the form of recycling credit. Credit exists as pseudovalidation of value and thus as a claim on profit. The repayment of credit depends on the capacity to command labour effectively, that is in a way which yields a profit high enough for dividing profits into enterprise and interest profit without compromising continuous expanded reproduction. The manifestation of monetary constraint in the form of a conflict between loanable and productive capital increased the urgency for productive capital to turn credit into effective command over labour so as to realise a rate of profit sufficient to service debt and to acquire additional liquidity to meet competitive pressure. However, the sustaining of productive accumulation continued on an ever more speculative basis the more productive activity was sustained by credit. Credit-sustained overaccumulation during the 1970's provided a 'smooth' process of capital liquidation without threatening the system as such. While this credit maintained productive capacity and employment, it constitutes an unproductive, speculative outlet of superfluous capital that fosters inflation. While inflation devalues money capital in the face of a threat of defaulting repayment, the "leap forward in the organic composition of capital in order to restabilize command over living labour and increase productivity has come up against the real impossibility of using inflation to finance future investments" (Marazzi 1976, p. 102-3). This development fostered the diversion of surplus capital into increasingly speculative channels. Monetary accumulation increased substantially, permitting a growing uncoupling between the category of abstract labour and the value form, or, in other words, capital's command over labour for the purpose of expanded exploitation and interest bearing investment.

The international credit-system that provided the credit for public and private accumulation of debt was institutionalised in the Eurodollar market. Unemployed money capital was desperate to invest. Sovereign states and productive capital established themselves as credit takers. At the same time, it was mainly the non-banking sector (industrial capital, insurance companies and pension funds) in metropolitan countries that placed their money capital onto Eurodollar markets (Schubert 1985). The net creditors on financial markets are productive capitals (Altvater 1985). Deposits on Eurodollar bank accounts increased not only because of the higher saving ratio of productive capital and/or diversion of funds away from productive activity in metropolitan countries, but also because of the recycling of OPEC earnings following the increase in price of oil in 1973/4. "In 1974, after the first big increase in oil prices, OPEC countries had $68 billion of surplus dollars, from one year's take alone. This represented a nearly ten-fold increase over their $7 billion surplus in 1973. Between 1974 and 1977, surpluses were $173 billion and between 1978 and 1980 another $184 billion" (Wachtel 1987, p. 23). However, the so-called Petro-dollar represented only a small proportion of the rise of the volume of money placed on Eurodollar markets (Schubert 1985). The bulk of investment came from metropolitan countries, approximating two-thirds of the total investment. At the time of the second rise in the price of oil at the end of the 1970's, money owners in metropolitan countries increased their savings on Eurodollar markets from $534 billion dollars in 1978 to $824 billion in 1980 (Schubert 1985, p. 39). Eurodollar deposits by OPEC countries account only for a small proportion of the total increase in Eurodollar deposits (ibid.). On a year's average, Eurodollar markets expanded their volume of credit by approximately 25% (Altvater/Hübner 1987, p. 20), in contrast to an average rate of growth in world trade by 4% (Wachtel 1987, p. 20). The disproportion between monetary and productive accumulation indicated the growing uncoupling between different value forms on the basis of the meaningless, but elementary, form of interest bearing and speculative capital (M...M'). Monetary accumulation expanded partly by creation of artificial credit in and through interbank exchanges and revolutionising of banking that annihilated space by time (3). While productive capital is a net creditor, it borrowed heavily from these markets at the same time, together with national authorities in metropolitan and what came to be known as debtor countries (Schubert 1985). The coexistence of productive capital as creditor towards, and debtor of, Eurodollar banks indicates the uneven development of accumulation between reproductive and money capital. It signals also the growing interrelation between different capitals (functioning and money capital) on the basis of financial capital.

Credit-sustained accumulation that held back the destruction of excess capacity and which sustained weaker capitals ('lame ducks') gave accumulation an increasingly inflationary bias that prevented overaccumulation from leading to mass bankruptcies, price wars and depression. Credit-expansion merely postponed overaccumulation. Overaccumulation took the form of an ever growing uncoupling between different value forms on the basis of the supremacy of monetary over productive accumulation. Monetary constraints on the realisation of surplus value appeared less and less in the form of monetary constraints on the product market than in the form of inflationary constraints and the limits of financial markets to sustain business through speculative deferral of bankruptcy. Monetary constraint on productive capital asserted itself through an increasing claim of creditors on future surplus value. This assertion reimposed the limits of the market in the form of capital's most elementary and meaningless form of existence: the power of money that underpinned accumulation through speculative credit-expansion. The reimposition of the limits of the market took the form of a scarcity of credit that underpinned productive capital. The build up of superfluous capital on the world money markets signals the international dimension of the power of labour. While the limits of the market were stretched through credit and state deficit financing, inflation and accumulation of debt increased pressure on productive capital to reassert its right to manage so as to turn credit into effective command over labour and, as such, into means of payment. In the face of increasing inflationary pressure, the real returns of money capital were increasingly threatened as debt accumulation gathered pace because more and more credit was needed to sustain productive capital. The sustaining of productive accumulation took an ever more speculative dimension at the same time as the international movement of money capital attained an ever more fragile form.

In the aftermath of Bretton Woods the volume of currency transaction on international foreign exchange markets increased dramatically. This volume multiplied several times within a view years (Strange 1986), by far exceeding the amount necessary to finance total commodity exchange and direct investment. Speculation in buying and selling of currency "has become an esoteric art aided by computer technology [that] reduced global communications to a fraction of a second" (Wachtel 1987, p. 20). Floating and unregulated credit-markets opened up new possibilities of interest earning for money capital. These markets are so diverse that even financial experts find it hard to keep track (Hübner 1988;Traber 1986; Strange 1986). The diversion of money capital into ever more speculative channels expressed the shortage of profitable opportunities in productive investment (Clarke 1988a;Hübner 1988), and were not the cause of a shortage of productive investment, as discussed by some authors in terms of a blockade of productive investment by money capital (Fine/Harris 1985;Ingham 1984;S. Pollard 1982). Indeed, there was "no shortage of funds for projects which can pay immediate fixed returns at a going rate of interest over a short period of time" (Minns 1982, p. 24). The shortage of funds for productive investement is the consequence of the shortage of profitable opportunities. Annual global economic growth was 3.3% on average between 1971 and 1980, while the real growth rates of international transaction were higher than 12% (Schubert 1985, p. 58). The growing international accumulation of debt asserted the policing role of speculative money capital over nation states in the form of speculative pressure on exchange rates on the basis of floating currencies. Additionally, the IMF and transnational banks reasserted the limits of global money in the form of credit-restrictions, calling for the deflation of the money supply by nation states so as to guarantee the validity of credit through central bank money.

-Keynesianism and the containment of labour through debt

From a Keynesian perspective of containing labour and controlling its disruptive potential, the improvements of states' revenue had to be invoked in a way which had no effects on accumulation, productive capacity and effective social demand. In order not to provoke costly and damaging strikes, the only option available was to increase deficit financing (Deutschmann 1973), measured in the Public Spending Borrowing Requirement (hereafter: PSBR) which expresses the difference between state income and state expenditure. These deficits were financed by credit. The fictitious character of this credit expansion doubled: it existed as a claim on money by the money owner towards its bank, and as a claim on money by these banks upon the national reserve. The attempt to turn crisis into a function of containing labour by increasing use of superfluous capital to sustain accumulation was itself transformed into crisis by the end of the 1970's. Expansionary policies did not in themselves provide any means of overcoming the crisis of overaccumulation (Clarke 1988a;Altvater et.al. 1979). The postponement of the rupture of accumulation made the repayment of public debt in real terms impossible (Rödel/Brandes 1976). The effects of expansionary policies is that the higher the credit sustained accumulation the more additional demand is required to avoid a breakdown of the credit system and to maintain international competitiveness in the face of soaring inflation and looming recession. State deficit financing of accumulation did not create possibilities for the state to repay debt directly. The state deficit can be reduced only by rectifying the balance of payments so as to earn foreign currency and through cuts in public expenditure, or during a period of booming accumulation. During most of the 1970's a sustained pursuit of the two first options was ruled out because of the strong position of labour. Retrospectively, the latter option was ruled out as well since the barrier to accumulation was not overcome by credit expansion. Rather, credit deferred an explosive manifestation of the crisis-ridden disunity of production and circulation.

The shortage of state revenue was increasingly supplemented by borrowing money in various forms. The expansion of state expenditure was to a great degree financed through bonds. The security of these bonds depends on the power of the state to tax and to expand the tax base (O'Connor 1973). However, a 'sufficient' increase in taxation so as to repay debt and to improve revenue in the attempt to restore international confidence in currency, permitting the integration of domestic accumulation on the world market to be maintained, was ruled out for the same reason as state deficit financing was introduced. This is not to say, as O'Connor (1973, p. 189) argues, that the state becomes "politically indebted to this class of bankers", because the bankers themselves face the destructive power of value in the form of money, as indicated by the collapse of banks in 1974. While commercial banks sought, on the one hand, to protect their liquidity by higher discount rates and contraction of credit, and, on the other hand, to augment their reserves by discounting bills with the central banks (Schubert 1985;Altvater 1985;Clarke 1988a), the substance of the Keynesian welfare state was threatened by the reassertion of monetary constraint over public finances in the form of an increasing claim on tax revenue by creditors. The reassertion of monetary constraint over the state threatened the substance of the Keynesian state in that it depended on an expansion of liquidity. However, the 'defence' of national currency implied larger reserves so as to guarantee and to maintain formal exchange equality on the world market. All this questioned the attempt to contain labour on the basis of social reforms and full-employment guarantees. The barrier to sustained accumulation appeared in the form of a limited supply of official reserves with which to support national currency in the face of the speculative movement of private capital. In the face of growing global balance of payment problems and increasing public debt, the first sign of internationally fragile money appeared in the form of a severe pound sterling crisis in 1976. The defence of national currency was less a question of maintaining national integration into the world market than of preventing the global movement of money from collapsing. In order to maintain confidence in the stability of the international value of the currency, the state had to eradicate debt (i.e. cutting back on state expenditure) while the restoration of the international confidence in money depended on the achievement of a surplus in the balance of international payments.

Deficit underwriting of capitalist reproduction had to be turned into effective command over labour so as to service interest, to repay debt and to rectify the inflationary supply of money that sustained accumulation in an ever growing speculative dimension. The productive power of labour impinged on the state through the speculative integration of the category of abstract labour with the value form, i.e. the sustaining of capitalist command over labour's productive power through an inflationary money supply and an accumulation of debt. So far as the state is concerned, this contradiction appears in the form of a disunity as between the unfettered revolutionising of labour's productive power (i.e. the so-called overheating of the economy) and speculative pressure on currency that destabilises exchange relations through speculative movements of private capital. State credit expansion 'incompatible' with global limits of credit-markets is acceptable by monetary markets only when sufficient reserves provide the security for the convertiblity of credit into means of payment. Failure to secure acceptance of international money holders in the political guarantee of convertibility of money into central bank money involves, firstly, speculative pressure on currency, prompting a diversion of the global flow of money and threatening to undermine the integration of domestic accumulation into the world market. It involves, secondly, a destabilisation of international credit-relations as creditors' confidence in the validity of money is dented, prompting creditors to demand cash payment. Such a demand, in turn, threatens to undermine the reproduction of all social relations which rest on credit. The tension between different value forms (i.e. money and productive capital) puts enormous pressure on the domestic organisation of money because the state guarantees all money by acting as lender of last resort. Further, deficit spending involved an accumulation of debt, prompting speculative pressure on national currency. The crisis-ridden dependence of the circuit of money capital on the imposition of work in production expressed itself in the form of balance of payment problems and an ever more fragile movement of international credit due to the failure to turn credit into productive command over labour that would have made it possible to turn public debt into means of payment. Lending to sovereign countries entailed a pseudovalidation of national wealth. As the growth of the world money markets gathered pace, fuelled by growing payment imbalances, increasing use of unregulated credit-expansion and suspension of productive capital into financial markets, speculation increased dramatically destabilising attempts by national government or international agreement between governments to accommodate currency adjustment (see Clarke 1988a). The crisis of accumulation manifested itself to the state, in the form of inflation, balance of payment problems and adverse effects of the floating of exchange rates which threatened the integration of domestic accumulation into the world market and which threatened the basis on which nation states secured the political integration of the working class. In order to safeguard domestic accumulation against the speculative erosion of formal exchange equality on the world market, the state had to restore financial confidence in national currency. However, Keynesian policies of maintaining jobs mitigated against attempts to defend currency against speculative pressure through improving the balance of payments and larger reserves. The aggravation of this development after 1975 made the Keynesian-inspired resolution of containing labour's productive and disruptive power through easy credit ever the more difficult to sustain. A significant indicator of the 'effective' containment of labour is the balance of payments. During the 1970's balance of payment considerations grew in importance as they indicated the liquidity of nation states to guarantee debt. At the same time, the PSBR grew in importance as it indicated the ability of nation states to accommodate a drain on reserves without suspending the guarantee of credit as a claim on a proportion of taxation.

The development of domestic accumulation is not dependent on the exchange rate mechanisms. Balance of payment deficits express the underlying difficulties of imposing work effectively and of imposing upon the conditions of life the limits of global accumulation. The stability of the global flow of money depends on the productive imposition of work so as to rectify payment imbalances and debt through the imposition of effective command over labour. The deregulation of the world money markets established a potent force to impose policies of state austerity with which to integrate the working class on the basis of tight money. This potent force asserts itself over the domestic attempts to normalise the class struggle in the form of speculative movement of private capital. Eurodollars move around the world in an instant, attacking weak currencies and forcing nations whose currency is under attack to change their policy direction. The movement of speculative capital reasserted monetary constraint over nation states in the form of currency speculation, destabilising exchange rates and eroding national liquidity through pressure on the national reserves. Speculative pressure imposed the money power of capital upon nation states. In turn, the mediation of the power of money through the state entails the use of austerity measures as a means of containing labour within the limits of accumulation by enforcing debt over the conditions of life. Further, the deregulation of exchange rates increased the volatility of the international realisation of national wealth as it was only after profits realised in dollars were converted into the money of bookkeeping that individual capitals located in a particular nation state were able to determine whether the cost price of production was recovered and an average rate of profit was realised. This development, in turn, increased the uncertainty of the domestic organisation of money, put pressure on national currency and increased pressure to curb inflationary credit-expansion and state-deficit underwriting of profits. Balance of payment problems and international pressure of money capital forced nation states to rectify payment imbalances by increasing export earnings and by deflating the money supply.

The tightening of the money supply involves an intervention into the financial position of productive capital, reasserting the limits of the market through a threat to the solvency of producers. A tightening of the money supply implies greater financial pressure on functioning capital as credit becomes scarce and expensive at the same time as markets contract consequent upon the effects of a reduction of state deficit financing of demand. At the same time, while the political authorities can force the domestic supply of money, no such powers exist over the international movement of money. A tightening of the money supply affects weaker capitals bound by domestic constraints and the domestic working class through the effects of tight money on employment, wages and living standards. Monetary constraints asserted themselves over the state in the form of the rule of money as capital: destabilising speculation against currency and restrictive conditions for further debt financing. During the 1970's, inflationary pressure on profit rates communicated itself to more advanced producers. The costs of exploiting labour increased through the effects of 'deflationary inflation' at the same time as the working class resisted the downward pressure on wages, the intensification of work and the recomposition of production. This development manifested itself to the state in a further deterioration of the balance of payments at a time of a growing need to earn foreign currency so as to relieve the pressure on the reserves. In order to restore international confidence in money, nation states had to regain financial stability so as to alleviate pressure on the reserves. Such an objective implies reductions in public spending and the achievement of a surplus in the balance of international payments. Such a development, however, could only be achieved through a deflationary attack on the working class and the recomposition of command in production so as to improve productivity and restore actual accumulation globally. In the face of inflationary devaluation of money capital, monetary policies became increasingly the source of support for the assets of the whole banking system that underpinned productive accumulation through (an overextension of) credit.

By the mid 1970's, the capacity of states to underpin the credit system gradually eroded as the guarantee of money by central bank reserves was increasingly questionable. At the same time, inflation gathered such a pace that it became less and less attractive for money capital to provide credit since interest rates were, with the exception of West-Germany, lower than rates of inflation (Rödel/Brandes 1976; Hübner 1988). The stability of international money depended on the dollar. The international role of the dollar rested on an US trade surplus. Coinciding with the devaluation of the pound, the US trade balance moved into a deficit by 1976 and increased through 1977 and 1978. This development threatened to undermine the confidence in the dollar and, as a result, the confidence of international markets in the security of money. Since the immediate source of difficulties for government appeared to be inflationary and the immediate cause of inflation appeared to be rising wages, the limits of Keynesianism appeared in the form of barriers to inflation and the balance of payments. The disproportion between productive and monetary accumulation appeared to be caused by the expansion of the latter and not by the deterioration of the former.The reassertion of international monetary austerity over the state fostered political forces which sought to confine the conditions of life to the dictates of the market: deflationary policies gathered momentum, attacking the integration of the working class on the basis of an inflationary growth of the money supply and increasing public and private debt. The Keynesian mode of integration turned from guaranteeing prosperity into a socially controlled deflationary regime (see Negri 1988b).

Although the multiplicity of states had implemented deflationary policies, the attempt to regain control over public finances was made difficult by the recognition of labour's political strength in institutionalised forms of class collaboration. Class collaboration involved integration costs. Trade union collaboration with government involved the maintenance of employment as a quid pro quo for income restraint. In order to avert a global collapse of exchange equality through a break-down of the credit system the multiplicity of states had to impose sound monetary discipline and to improve productivity by reasserting command over labour's productive and disruptive power. The attempt to regain financial stability focused mainly on those sections of the working class who were not a constituents in the trade union movement (i.e. unemployed, claimants, women,'racial' minorities: Hirsch 1980; Hirsch/Roth 1980;Deppe 1984; and below, chapter IV). During the 1970's, the imposition of tight money rested on the capacity of the trade unions to collaborate with government in domesticating the class struggle. For productive capital, the reassertion of monetary constraint in the form of increasing rates of inflation and credit made it ever more urgent to intensify exploitation so as to prevent illiquidity from turning into insolvency. The rate of enterprise profit as opposed to the share of interest depends on the productivity of labour in production. While the sustaining of productive capacity depends on credit worthiness, measured in comparatively high rates of profit, increased productivity provides the solidity required for additional credit. Competitive erosion of capital takes on the form of credit worthiness, measured by the profitability of enterprise and, as such, the ability of management to impose work productively. The institutionalisation of corporatist forms of negotiation gradually changed from ensuring a competitive advantage, through peacekeeping costs of trade union collaboration, into a barrier to the implementation of new means of production and new working practices. The reorganisation of production had to be achieved with the consent of the shop-floor, involving wage incentives for intensification of work. The attempt to transform protest into demand turned, by the end of the 1970's, into a barrier to sustaining reproduction. When management and political authorities adopted a more aggressive imposition of work and deflationary attack on living standards, the intensification of the class struggle threatened to undermine the stability of political domination on the basis of class collaboration (see Hirsch 1980 on the crisis of 'Modell Deutschland'; see Clarke 1988a on the crisis of the social contract; see Semiotexte 1980 on the reassertion of political confrontation and repression in Italy). By the end of the 1970's the stability of political domination on the basis of class collaboration looked more and more fragile.

The imposition of capitalist command in form of money over the working class through restrictive monetary policies involved a crisis of the form of the state. "In subjecting the state to international monetary dictates, there is a grave risk for capital that these 'limits' may not only create a vicious circle in which the contradiction within monetary policy is constantly reproduced, but that they may escalate the crisis of money into the crisis of the state itself" (Marazzi 1976, p. 110). The pursuance of deflationary policies within a Keynesian framework of containing the class struggle through forms of collaboration with the trade unions tiptoed on the edge of growing social unrest against deflationary attack mediated through restrictive monetary and credit policies. Offe's (1984) thesis of the 'ungovernability' of society, while hardly addressing the problem at issue, provides a nevertheless provocative suggestion of the crisis of the state. The tightening of the money supply involved a defence of national currency through cuts in public spending and higher interest rates for credit. Higher interest costs increased the costs of recycling credit and of the revolutionising of labour's productive power. Higher interest costs increased debt financing of productive capital as the state enforced the limits of the market by making credit more expensive. Restrictive monetary and credit policies involved the abandoning of full-employment and income guarantees, the quid pro quo upon which the containment of the class struggle since the end of World War II rested. The adoption of restrictive monetary policies is associated with monetarism.

The attempt to regain control over money within the framework of class collaboration involved a shift in emphasis of the role of the state. Instead of pursuing state deficit underwriting of capitalist reproduction, monetarism sought to restore accumulation by regulating social reproduction through the financial system. The shift in emphasis involved the reimposition of the money power of capital through scarce and costly credit, enforced by the state. The monetarist view of macro-economic necessity articulated the imposition of international monetary austerity mediated through monetary and credit policies. The attempt to impose the imperatives of capitalist reproduction through reimposing the power of money subordinated productive capital and the working class to a tight discipline of internationally depressed money and credit markets. The Keynesian class compromise was based on a state of liquidity so as to finance the integration costs of full-employment growth and general welfare. However, the assertion of policies designed to regain control over the money supply implied a 'state-of-limited-liquidity', imposing the limits of global accumulation over the working class through deflationary policies. International monetary pressure can be alleviated only by restoring monetary soundness domestically through higher export earnings and reductions in public spending, both of which presuppose a containment of labour on the basis of intensification of work and eroding living standards. The movement of money capital thus turned from global comparison of national wealth on the world market to global policing of the ability of nation states to launch a deflationary attack on the conditions of life. The speculative movement of money capital on the world market undermined Keynesian attempts to moderate domestic accumulation through credit-expansion and forced governments to turn debt into means of payment by containing labour through the command of money: law and order control. From 1975 onwards, the multiplicity of states were less and less able to guarantee full-employment growth. Instead the states were forced to become governments of austerity and to transform from redistributors of wealth to administrators of cuts in order to alleviate the pressure of debt and to ease monetary pressure on balance of payment and budget deficits. The tension between monetarist policies within a Keynesian framework of class collaboration was increasingly difficult to contain by the end of the 1970's. The struggle over the use of money as power to discipline the working class was directed against the form of the state because it is the state through which the money power of capital is mediated.

The mobilisation of political forces that endorsed the "rejection of the conception of the interventionist state in favour of the microeconomic view of desirability and the macroeconomic view of necessity" (Clarke 1987, p. 393), involved a repressive response to the productive and disruptive power of labour that had ruptured the domination of capital and precipitated the integration of nation states into the world market through unregulated money and credit markets, an increasingly speculative dimension of social reproduction and the reassertion of the imperatives of capitalist social reproduction in the form the money power of capital. The importance of monetarist policies since the 1970's has been the political attempt to recompose the form of the state by bringing about the subordination of the conditions of life to the dictates of the market, i.e. money in command. Monetarism rejects the transformation of protest into demand and asserts the reimposition of the limits of the market through the eradication of debt. The eradication of debt involves the deregulation of existing guarantees of full-employment growth, income (reduction of welfare expenditure) and the abandoning of the maintenance of unproductive plant. The rejection of transforming protest into demand involves the acceptance of the use of force to impose the abstract equality of money over the conditions of life. The shift from full-employment growth guarantees and policies by the mid 1970's, and the deflationary attack on the working class, entail the attempt to impose international monetary austerity over the conditions of life. The monetarist attack on the working class, although unevenly, articulated a form of state policy that implied "a shift in state power to the world level - the level at which monetary terrorism operates" (Marazzi 1976, p. 107). The changes in the relation between money capital and the state led to a development in which the rule of money was more and more mediated through the state. The state sets the general context of financial regulation by imposing restrictive monetary and credit policies that are themselves imposed upon the state through the movement of 'unemployed capital', policing the capacity of the state to guarantee the convertibility of credit into means of payments. The depressive development of these markets expressed the crisis over the productive and disruptive power of labour in the form of a global monetary scarcity. The state and the financial system determined the devaluation and liquidation of productive capacity through insolvency once high interest rates undermined productive activity. This rule of money is not mediated through the product market. The evaluation of capitals' ability to appropriate surplus value does not manifest itself in commanding high rates of profits. Rather, high rates of profit imply credit-worthiness which underpins functioning capital. As the ability to appropriate surplus value does not have necessary connections with the efficiency of use value production, the power of value in the form of money asserted the abstract equality of capitalist social reproduction, i.e. the supremacy of valorisation over use value production. Monetary constraint on unfettered accumulation asserted the limits to the revolutionising of the productive power of labour within the context of the integration of the abstract category of labour with the value form. These limits were imposed upon the ambitions of producers through the social power of money, the incarnation of the imperatives of capitalist reproduction.

By the end of the 1970's depressed money markets threatened to bring about a collapse of international credit relations that sustained social relations. The political enforcement of the social power of money is associated with monetarism. The monetarist prescription of a policy of tight money (i.e. restrictive credit policies) articulated the fragility of the international composition of domination. Monetarist policies involved the attempt to reimpose the limits of the market over the conditions of life through a rigorous deflation of the money supply. Such a policy implies the subordination of the state, capital and the working class to the limits of the market through high interest rate policies. The massive attempt to bring back the ideology of the market to the centre of the political stage needs to be seen as a result of the global reintegration of abstract labour with the value form on the basis of debt. The reintegration of the circuit of social capital, not on the basis of the supremacy of the valorisation over the labour process, but on the basis of a tension between functioning capital and the credit-system had come into conflict with the effects it produced: inflation, public and private indebtedness and a growing fragility of the international movement of money.

The success of restrictive monetary policies depended on the capacity of capital to impose the abstract equality of money-in-command over the working class without triggering a collapse of productive activity. The imposition of tight monetary policies involved the enforcement of debt over the working class through cuts in public expenditure, deregulation of existing wage protection, anti-trade union policies and the reassertion of the right to manage in production so as to impose work effectively in order to service and repay debt and to increase the economic performance of functioning capital. Although capital had sought during the 1970's to implement new technology and to intensify exploitation, the class struggle over domination was generally located in the institutional framework of the Keynesian welfare state and a corporatist kind of industrial relations (see Hirsch 1980;Gorz 1982;Esser et.al.

1983;and see below, chapter IV), both of which expressed labour's strong bargaining position. The strength of labour made it difficult for capital to undermine the institutional form of labour's integration simply by coercion, if costly and damaging strikes were to be avoided. The strength of the working class prohibited a ruthless imposition of the right to manage and of mass redundancy of labour. While this way of containing labour was, in retrospect, instrumental for the normalisation and domestication of the industrial militancy of the late 1960's and early 1970's, it implied increasing inflationary and monetary pressure. After 1975, the attempt to contain labour's productive and disruptive power through a policy of easy credit was more and more difficult to sustain. This development turned the existing forms of industrial and political negotiation of order into a barrier to social reproduction. The containment of labour through inflationary expansion of money ceased to provide sufficient means to sustain accumulation, while the financial solvency of the state was increasingly in question. The limits of the market over productive capital and the state reasserted themselves in the form of inflation, debt and a possible collapse of international credit relations.

The limits to sustaining capitalist exploitation of labour through credit-expansion asserted themselves over productive capital and the state in the form of more and more fragile global credit-markets. The first signs of inflationary expansion of credit turning into a major problem of maintaining the credit system occurred in 1976. The failure of credit-expansion to invoke effective command over labour resulted in a further intensification of the tension between different value forms. This tension expressed itself in the pound sterling crisis of 1976 following poor balance of payments and growing industrial relations problems. In the UK the shift in Keynesian inspired policies for containing labour from full-employment growth to a policy of deflation occurred in 1976, symbolised by the intervention of the IMF demanding a reduction in public spending. Deflationary policies aimed at restoring confidence on financial markets, as the ability of national currency, and hence the central bank as lender of last resort, to meet demands for means of payment was severely in question (see Clarke 1988a) and as the financial system was moving on the edge of a depression (dollar crisis in 1977/78). While the IMF, which had long since been transformed to a political credit institution (Hübner 1988), was calling, "in increasingly urgent and strident terms, for a globally coordinated attack on inflation", including cuts in welfare expenditure and deregulation of labour market (Cleaver 1989, p. 28), governments, domestically and internationally, reasserted their determination to contain labour through deflationary policies. Labour's turn to 'unbelieving monetarists' (Brittan 1977) was not a question of will but, rather dictated by the class struggle over domination, a struggle over the 'terrorist use of money' (Marazzi 1976) that sought to subordinate the conditions of life to conditions of austerity and intensification of work. The shift to monetarist policies of tight money reasserted the imperatives of capitalist reproduction over the conditions of life through the power of money. In the face of growing obligations to back newly created credit the class struggle over domination developed to a second dollar crisis by 1977/78, leading up to the deep depression of the early 1980's.

The focus of international credit relations was the dollar and American banks in which a massive volume of money capital was deposited in the form of a claim on national reserves and in which enormous claims towards debtor countries accumulated. The stability of international currency and credit relations depended on the stability of US banks and, thus, on the containment of labour in the US. The deterioration of the dollar started in 1977. In the face of a balance of payment deficit of $20 billion, and rising inflation from 6.8% in 1977 to 9% in 1978, Carter tried a devaluation of the dollar. "From late 1977 the dollar was allowed to float down on the foreign exchange market, but this turned to a rout in Autumn 1978 as short-term capital cut and fled" (Evans 1985, p. 116). Massive speculation against the dollar and depreciation of the dollar in relation to other currency (Yen and Deutsch Mark) accelerated the run on the dollar. Investors liquidated Treasury securities massively and converted the dollar into different currency. The role of the dollar, in the face of international accumulation of debt monetised in a claim on the dollar, was once more in question. The dollar crisis threatened to aggravate to an international crisis of credit (Schubert 1985). The crisis of the dollar expressed the crisis of capitalist overaccumulation at the most fundamental level of money capital. The fragile accommodation of the pyramid of debt with reproductive accumulation indicated the limits of credit-sustained accumulation through depressed money markets, the stability of which depended on the stability of the dollar. The crisis of the dollar undermined international confidence in the stability of money. This development increased pressure on currencies, forcing the political authorities to restore financial confidence under the penalty of a collapse of international credit relations. Labour's productive power asserted itself in the form of internationally unstable credit markets and in depressive pressure on currency in the face of accelerated inflation and balance of payment problems.

The benign neglect of the dollar's exchange rate was soon reversed under Carter (see Schubert 1985). In an attempt to alleviate pressure on its reserves, Carter introduced deflationary measures so as to push up interest rates and stem the flow (ibid.). At the same time the US borrowed on international currency markets $28 billion dollars in 1978 (twice as much as its balance of payment deficit in 1978) (ibid., p. 100-102). High interest rates in the US restored confidence in the dollar, marked by appreciation of the dollar relative to other currencies. This step turned overliquidity of credit into monetary scarcity. The dollar crisis and the restoration of the dollar through high interest rates was merely a first tremor, foreshadowing worse things to come. The supremacy of monetary accumulation is a direct expression of the weakness of reproductive capital, a weakness that fuelled the spill-over of capital into speculative outlets in a way which replaced the regulation of accumulation through the limits of the market by the limits of credit. Higher interest rates implied an increasing scarcity of credit, threatening to push producers into insolvency. The transformation of overliquidity to monetary scarcity signalled that accumulation was heading for a renewed recession by the end of the 1970's. High interest rates enabled banks to absorb heavy losses without defaulting. At the same time, however, high interest rates threatened to turn credit-sustained accumulation into a depressive spiral of devaluation/liquidation of productive capital and rising unemployment.

The rise in interest rates intensified the threat of credit-sustained productive accumulation turning into mass insolvency and put pressure on the PSBR through higher costs of interest servicing. Between 1973 and 1976, interest rates had been relatively low, making it feasible to sustain accumulation in the face of depressed rates of profit. When interest rates started to rise in 1977, and especially in 1980, the pressure on indebted producers increased as depressed rates of profit coincided with rising cost of interest service and high rates of inflation (Schubert 1985). The compulsion to revolutionise the methods of production bears down on productive capital through the force of competition as a requirement to realise a sufficient rate of profit for reproduction. Upon this competitive pressure were superimposed increasingly volatile exchange rates (Hübner 1988), pressure to service debt and to provide high rates of profit so as to acquire additional credit in order to prevent speculative reproduction turning into insolvency. By the end of the 1970's, the offensive against labour's disruptive power increased. Radical new technologies (computer-aided automatisation: Palloix 1976) have been implemented unevenly, incrementally and spasmodically, but nevertheless increasingly since the late 1970's. However, in the face of high interest rates, the introduction of new technologies reasserted the tendency to overaccumulation. High interest rates accelerated capital devaluation and liquidation at the same time as the implementation of new means of production entailed renewed debt financing of capitalist command over labour's productive power. High interest rate policies reinforced the second deep recession from 1979 to 1982.

In the deep recession between 1979 and 1982, industrial growth slowed almost to a standstill. The recession brought to the fore the contradictions of credit as credit-sustained accumulation threatened growing insolvency, precipitating a chain of bankruptcies and defaults, while the overaccumulation of capital appeared in the form of an accumulation of worthless debt and a massive devaluation of capital and the destruction of productive capacity. The recession brought to the fore the circumstance that accumulation in the 1970's was largely sustained by credit. When the crisis struck, the reassertion of the limits of the market in the form of costly and scarce money expressed itself in mass insolvency and liquidation of functioning capital as well as mass unemployment. At the same time, the more advanced producers faced intense financial pressure because the introduction of new methods of production at the end of the 1970's was largely financed by credit, permitting a prevalidation of the productive potentials of fixed capital at a time of a looming recession. Although high interest rates prevented banks from defaulting in the early 1980's, the effects of restoring confidence of money capital through a policy of tight money threatened to bring about a severe financial crisis as the default of productive activity involved a massive default of credit which threatened the stability of banks because of the overextension of credit (Guttmann 1989). Further, the rapid deterioration and devaluation of reproductive capital marked gaping holes in the shareholders' dividends - ruin echoed ruin. At the same time as functioning capitals went into receivership, slashed investment and devalued productive capacity, the money supply, far from contracting, exploded as companies borrowed heavily from international credit markets so as to maintain solvency and cash flow (see Sutcliffe 1983;Clarke 1988a). Upon credit default, banks invested new recycling credits. This development coincided with a merger boom as defaulting producers were taken up by banks or more advanced capitals. Additionally, earned profits were diverted into (high interest rate) money markets, financing public debt and balance of payment imbalances. Further, mass unemployment and the reassertion of the limits of the market in the form of scarce and expensive credit reasserted management's determination to intensify work, to recompose working practices and put downward pressure on wages. In the face of mass unemployment, the deterioration of whole industrial areas and monetary constraint in the form of high interest rates, management's aggressive approach towards the working class succeeded in reasserting the right to manage, resulting in a reorganisation of work, speed-up, and curbing of customs and practices and a drop in wages.

The slashing of investment, devaluation of productive capacity, the liquidation of unproductive producers and the imposition of new working practices and intensification of work, resulted in productivity increases. However, the revolutionising of labour's productive power reinforced the constitution of the circuit of social capital on the basis of credit and debt as capitals borrowed heavily to avoid insolvency and to finance the revolutionising of labour's productive power, while the enormous spill-over of capital into unproductive and speculative channels continued, precipitated by high interest rates and a lack of profitable opportunities in productive investement. The political strength of the working class was weakened through mass unemployment and aggressive monetary and managerial policies. However, political authorities were not able, for fear of a major confrontation with the labour movement, to inflict a substantial destruction of the relation between public expenditure and (indirect and direct) wages. During the recession, the tendency in public expenditure was up (Mullard 1987). High interest rates made additional means of payment for financing public expenditure more and more expensive. Further, the destruction of productive activity aggravated balance of payment problems in the early 1980's, putting pressure on national reserves. At the same time, banks sought to augment their reserves by discounting bills of exchange with the central bank (Guttmann 1989). The synchronisation of balance of payment difficulties and debt problems threatened to undermine the attempt to maintain formal exchange equality by sustaining the political guarantee of credit through central bank reserves. In the face of a major economic slump, increasing speculative spill over of capital into monetary markets and increasing debt financing of public expenditure, the constituting power of labour manifested itself in a possible break-down of international credit-relations. By 1981, the growing tension between functioning capital and the credit-system asserted the constituting power of labour in the form of a default of productive activity, threatening to undermine the stability of the credit-system in and through the collapse of the claim on future surplus value. At the same time, heavy borrowing on international finance markets involved the overextension of credit at a time at which economic growth came almost to a standstill.

By 1981, the economic slump threatened to undermine global credit-relations. The tightening of the dollar supply coincided with a rapid competitive deterioration of the US. This development manifested itself by 1981 through an increasing balance of payments deficit of the US. Further, the tightening of the money supply raised the cost of debt service substantially for debtor countries. The recession of 1979 increased the difficulty of earning foreign exchange for those countries who had borrowed during the 1970's. The tightening of the international money supply called into question the ability of debtor countries to turn credit into means of payment, enforcing a severe regime of domination over labour and leading on to an intense fragility of international credit-relations. This fragility turned into a severe rupture in 1982. Increased lending to what became debtor countries through Eurodollar banks during the 1970's had to become real international value. Accumulation of debt in those countries increased dramatically during the 1970's from $100 billion in 1972 to $800 billion between 1973 and 1982, and to $1000 billion in 1987 (Altvater/Hübner 1987, p. 21). On average debt increased by 20% annually in the debtor countries, as compared with a 16% annual increase in net exports and a 12% annual increase in the GNP. By 1982, international credit obligations amounted to about $100 billion per year compared with $15 billion in 1977 (Altvater/Hübner 1987, p. 21). This credit had to become effective command over labour if credit was to turn into means of payment. However, the crisis of accumulation turned credit into the source of an acute liquidity crisis in those countries that at first drove down raw material commodity prices and therewith their export earnings. Additionally, the US monetary 'authorities' raised the dollar and the rate of interest, and Western banks dried up their voluntary flow of loan capital to the South and the East. To prevent illiquidity from turning into insolvency, so-called debtor countries had to generate much more foreign exchange just to service the interest on their debt. These countries, like metropolitan countries, were obliged to start slashing imports, produce more for export and become capital exporters on a massive scale. The imposition of money in command in these countries was and is overtly repressive in form. The military command to ensure the enforcement of debt over the working class in so-called debtor countries signifies a taste of domestic policies of a monetarism in crisis. However, in the face of increasing problems of servicing interest and repaying debt, the intense class struggle in some of these countries inhibited a further tightening of deflationary attack (see Cleaver 1989).

Higher credit cost raised the cost of credit servicing for productive capital, forcing many out of business through insolvency, and for those countries that had borrowed heavily during the 1970's. While the only means available to prevent a crisis of money was a sustained deflationary attack on labour domestically and internationally, the class struggle over the imposition of the imperatives of capitalist reproduction escalated the crisis of money to one of the state. As credit was called upon as means of payment, growing international demand for cash in the face of faltering repayment of credit increased the vulnerability of the international system of finance and credit. The compulsion to export under any circumstances in order to repay debt, and growing social tension, forced Poland (1981), Argentine (1982) and Mexico (1982) to declare insolvency. The rupture of international debt fed back into metropolitan countries through the deterioration of the international flow of money and pressure on banks. The debtor crisis not only destabilises the international relations of payments and currency, but also threatens to undermine the political unity of the Western world (see Schubert 1985). Such a possibility was impressively manifested in the collapse of banks in 1982. This collapse by far exceeded the scale of the 1930's (Dziobek 1987). The attempt to restore financial confidence through a policy of tight money had turned into the real possibility of apocalypse, threatening to undermine the composition of the international relations of domination. Mexico's declaration of insolvency in 1982 ruptured international credit relations to such an extent that the political authorities in metropolitan countries, especially the US, were forced to abnegate monetarist economic policies (in the narrow understanding of the term) and to reinvoke credit-expansion. In the wake of an international debtor crisis of sovereign countries, there was only one solution possible to avert a collapse of the financial system: the decrease of interest rates on credit channelled to debtor countries (see Altvater/Hübner 1987;Lipietz 1987) and renewed credit-sustaining of productive accumulation (Clarke 1988a; Gamble 1988). Capital was able to dominate the rupture of global credit-relations by shifting debt to, and by guaranteeing international validity of debt by the economic and political power of, the US. This shift, associated with a growing importance of supply side policies, repealed monetarism in the narrow conception as an economic policy and effectively restored pseudovalidation by 1982, internationally and domestically. The monetarist attempt to reimpose the limits of the market precipitated a potential destruction of the market itself. Monetarism, while it was made politically strong and credible through the failure of Keynesianism, reproduced the contradiction between monetary and productive accumulation in an intensive form. The reimposition of the limits of accumulation through a policy of scarce money had brought international credit-relations on the edge a major collapse. The failure to convert credit into effective command over labour indicates labour's productive and disruptive power which capital had sought to contain by reimposing the abstract equality of money over the conditions of life.

Monetarist policies were abandoned (Lipietz 1987) and Keynesian fiscal policies were activated. Keynesian policies gained in comparison with the targeting of the money supply (Tomlinson 1986;Guttmann 1989). Discretionary monetary policies did not involve an U-turn to Keynesian-inspired budget financing as the financial conservatism of monetarism was retained. The boom of the 1980's rested on Keynesian fiscal expansion within a tight monetary framework (Clarke 1988a; Gamble 1988;Thompson 1986). The boom rested on Reagan's attempt to simultaneously increase public spending, notably in defence, cut taxes, eliminate the budget-deficit and maintain high interest policies so as to curb inflation. While the combination of these objectives is a mathematical impossibility, Reagan's monetarism formulated the attempt to reassert control over the working class through austerity measures and to encourage capital reproduction through credit and fiscal expansion; the unfettered operation of the market forces on the basis of unregulated monetary and credit expansion and the enforcement of debt over the working class. The shift to credit-expansion involved the retention of a tight monetary framework over the conditions of life through the deregulation of wage protection, cuts in social spending, the restructuring of the welfare state in terms of repression and efficiency and the increase of poverty and tax traps, pushing a vast number of people into a life of poor wages and insecure employment. The relaxation of monetary policies was embedded in the attempt to restore the rule of the money through a policy of financial conservatism (Clarke 1987,1988a;Gamble 1982, 1988;Thompson 1986). The target of this policy was not to subordinate functioning capital to the limits of credit, but to subordinate the conditions of life to a stringent deflationary attack that persisted throughout the 1980's. In this context, the shift to discretionary policies made impossible the restoration of a Keynesian-inspired collaboration with trade unions so as to establish a form of negotiation of order over integration costs in exchange for social peace. Instead, social peace was to be imposed rather than negotiated in the attempt to make the social environment certain without thereby making extensive monetary concessions to the working class. Under the impact of relaxed monetary policies and Reagan's 'military Keynesianism' (Clarke 1988a;Frank 1987;Gamble 1988), the attack on the way in which the working class was officially integrated moved into the centre of monetarist inspired management of accumulation. As Gamble (1988, p. 122) puts it, "Keynesian techniques continued to be used, only now the objective was to restore financial stability rather than to preserve high levels of employment and growth". Discretionary policies aimed at reducing wage-costs and living standards through restrictive monetary policies that discriminated against the working class, and through restrictive fiscal policies which restricted consumer demand and increased the tax burden discriminating in favour of capital through tax incentives. The retention of a tight monetary framework, domestically and internationally, involved the imposition of money in command over the conditions of life: i.e. the use of the welfare state not as a means of recuperating the effects of unemployment but as an institution administering a socially controlled imposition of economic and financial insecurity.

The imposition of money in command involved, as its precondition, the oppressive use of force so as to secure the pacification of social aspirations on the basis of poverty and so as to secure the domestication of the disruptive power labour to resist debt enforcement. The law and order imposition of money in command (and the converse) involved thus the use of money not as a means of transforming protest into demand but as a means of enforcing debt and of supervising possible monetary control collapses through bureaucratic means of repression and the imposition of obedience through law and order control. However, the enforcement of debt required the financing of the oppressive monetary decomposition of class on the basis of the private individual, thus permitting increasing levels of public expenditure. Further, the monetary decomposition of class relationships involved the state in relaxing monetary policies so as to contain the class struggle through the only consistent way of imposing the wage relation, i.e. sustained accumulation. Reagan's policy of easy credit and deficit financing of demand increased the budget-deficit of the US enormously from $39 billion in 1980 to $221 billion in 1985 (Guttmann 1989, p. 42) at the same time as domestic debt of all kinds rose 15 to 20% faster than the US's GNP (Frank 1987, p. 3). The return to a policy of easy credit and the stimulating effect of the budget-deficit financing of demand established the basis for the US boom in 1983-4 (Guttmann 1989). The attempt to integrate labour into the capital relation involved the deficit financing of sustained accumulation and the costs of decomposing class relations on the basis of tight money. Further, the boom made possible the decomposition of class relations through the discriminating effects of the boom: i.e. the segmentation of labour markets (retaining of, and wage concession to, skilled workers and imposing poverty on the basis of rising state expenditure over those the boom passed by); and the preemptive desolidarisation of possible resistance through the imposition of a sense of inequality (supporting those who gained during the boom and discriminating against the vast majority of the population who were its victims). However, the costs of integrating labour into the capital relations militated against a policy of debt enforcement. Despite its emphasis on sound money, monetarist policies have presided over an explosion of debt, an orgy of speculation and a stock market boom which accelerated, despite the rhetoric of the Thatcher and Reagan governments on the powers of competition, the centralisation of capital and the monopolisation of the market.

The boom of the 1980's rested on the intensification of exploitation, the destruction of productive capacity and mass unemployment on a scale unprecedented since the end of the second World War. However, the barrier of the limited market was suspended by fiscal expansion and a global explosion of credit, based on the renewed budget-deficit financing of demand in the US. The boom rested on the integration of labour into the capital relation on the basis speculation, constituting the circuit of social capital on the basis of an accumulation of debt. The sustaining of accumulation by credit-expansion gave the boom an inflationary bias which dictated tight monetary policies throughout the 1980's. Persisting high interest rates in all major capitalist countries (Hübner 1988) allowed banks to cushion losses and to yield real returns on monetary investment. The inflationary bias of the boom gathered pace in the later half of the 1980's. Further, major financial deregulations in the US (Guttmann 1989) and the UK (Coakley 1984) abolished interest rate controls so as to make the supply of credit more flexible, especially in times of acellerating rates of inflation, and to inject a competitive edge to the banking system. The global liberalisation of financial markets and the deregulation of credit controls made possible an orgy of speculation during the 1980's, the breeding of profits by unemployed capital through unproductive investment in money markets. Under the impact of financial deregulation and a policy of easy credit, "consumer expenditure surged forward, financed by a fall in personal savings as inflation moderated and by a rapid growth of consumer credit" (Clarke 1988a, p. 164). In the US, savings fell dramatically from about 6% of personal inomce in the 1970's to 2.9% in 1985 (Guttmann 1989, p. 42). The unregulated and uncontrolled banking system made it possible for a great number of people to maintain, in the face of a policy of state austerity, living standards through access to private credit. In the face of austerity policies, the only way to sustain living standards for a great number of people was to incur debt. Monetarist policies developed, after 1982, a two-fold face: credit-sustained accumulation and the unrestricted and unregulated expansion of credit on the one hand, and the integration of private debt through austerity policies with an abrasive enforcement of debt over the conditions of life on the other. However, the enormous accumulation of debt during the 1980's contradicted the political attempt to guarantee convertibility of credit in cash payment through a policy of debt enforcement over the working class. Not only did the abrasive attack on living standards require domestication costs, but, also, the deregulation of financial markets increased the pressure on central reserves through the increase in public and private debt. Alongside soaring foreign debt, domestic debt in the US increased dramatically during the 1980's. In the US, private household debt increased from $1.626 billion in 1982 to $3.176 billion by 1988 (Bond 1990, p. 151;see Berthould/Kempten 1990 for the UK). Further, corporate indebtedness increased dramatically during the 1980's (Bond 1990), a development which, by the end of the 1980's, caused banks to write-off bad debt on an enormous scale (see Guttmann 1989;*The Guardian* 2.8.1990). The more credit is committed, the more claims on not-yet existing surplus value accumulate, while the central banks face a growing mountain of claims on their reserves in the face of a falling rate of savings. The more debt was stimulated during the 1980's, the more the state had to reduce its expenditure so as to guarantee the convertibility of debt into means of payment. However, public expenditure increased during the 1980's, making the political guarantee of debt as claim on tax revenue difficult. The boom of the 1980's accelerated the autonomisation of monetary from productive accumulation, an autonomisation which fuelled the boom and which led to the crash in 1987.

The containment of the debtor crisis through the reshuffling of debt and the shift of debt to the US gave the boom an intensely fragile foundation. Since Mexico's declaration of insolvency in 1982, crisis management became a routine as debt service was renegotiated and payments postponed. Crisis management of debt opened up new opportunities for profitable advance of Eurodollar. While the rate in which credit to debtor countries grew declined sharply in 1983 and while additional credit was invoked to service debt (Altvater/Hübner 1987;Lipietz 1987;Schubert 1985), the financing of the US budget-deficit offered a new speculative outlet for interest seeking capital: the vicious circle of debt reproduced itself in ever more intense forms. At the same time, banks sought to reduce the risk of defaulting credit by establishing a 'second hand market' for bills of exchange. This market offered bills of payment of debtor countries to speculative capital for reduced prices. This new speculative channel for superfluous capital was risky. However, the risk was cushioned by a 'risk-rate': the interest to be paid by debtors related to the nominal value of the bill while its real value was much lower (Altvater/Hübner 1987). Multinational companies are also engaged in this second-hand market. By buying second hand bills of payment from banks and by exchanging their purchased claim for real national currency in debtor countries they attained cheap access to direct investment in a given country with low wages and intense working conditions. While multinational companies extended their business by taking over productive capacity at a bargain price (Altvater/Hübner 1987;Lipietz 1987), weaker capitals found themselves under intense competitive pressure, resulting in liquidation and concentration of capital globally. The shift of productive capacity into debtor countries helped to devalue productive capacity, on a relatively cheap basis, internally, and to undermine resistance to the reassertion of the right to manage in metropolitan countries.

The speculative dimension of the boom is expressed in the autonomisation of money capital from functioning capital. In the US alone, $ 575 billion was spend on some 16.250 separate merger deals between 1979 and 1985 (Wachtel 1987, p. 17). The massive corporate debt, including the inflation of short term stock values (Pillay 1988), incurred by mergers had to become real value. The expansion of international credit and speculation led to an overvaluation of share prices (Glyn 1988) that permitted a growing disproportion between the market and the book value of enterprises (Pillay 1988), permitting an ever more fictitious character of accumulation. In 1984, global financial flows were anywhere from $20 trillion to $50 trillion, while world trade in goods and services amounted to only $2 trillion (*The Economist* 2.3. 1985, p. 11). This development coincided with an intensified investment of speculative capital in future markets and an accelerated turn-over of money capital (Guttmann 1989). The volume of the turn-over of fictitious capital on financial markets reaches on an average business day, as approximated by the New Yorker Federal Reserve (cited in Pillay 1988, p. 70), $1 trillion in 1987, that is $2 billion per minute. This volume does not include turn-over of capital in commodity transactions, nor wage and/or salary payments, nor the credit taken for these payments (Pillay 1988, p. 70-1). During the 1980's, credit market indebtedness grew by 9% per year, while the market value of shares grew by 12% and public debt titles by 17% per year (Pillay 1988, p. 70). In the third quarter of 1987, the daily world wide trade in futures and options peaked at $750 billion, while daily movements of funds in currency exchange amounted to $200 billion. From the end of June 1977 until the end of June 1987, the volume of interbank exchange increased by ten times, approximating $1 trillion in June 1987 (ibid). The containment of labour on the basis of an autonomisation of money capital from functioning capital expresses the presence of labour in and against capital in the form of the speculative and fragile movement of capital. The intensification of work and the revolutionising of the methods of production was not based on a recomposition of production, subordinating the labour to the valorisation process, but on the reconstitution of the circuit of social capital on the basis of a credit-explosion. During the 1980's, the increase in productivity derived from the liquidation of unproductive producers in the early 1980's and from industry shedding labour to a much greater extent than output fell during the recession. The destruction of unproductive producers and the imposition of effective work made possible rises in productivity, while pseudovalidation of profits made possible the containment of labour's productive power within the circuit of social capital on the basis of speculation. The speculative boom of the 1980's is an expression of the crisis of capital's domination over labour's productive power. The expansion of credit and the associated spill over of capital into unproductive and speculative channels indicates the enormous autonomisation of monetary from productive accumulation, an accumulation of capital which was inconvertible into capitalist command over labour for the purpose of expanded exploitation. The containment of the abstract category of labour within the value form was based on the political guarantee of global debt by the US. Once again, the productive imposition of work and the containment of labour within the limits of capital in the US asserted itself as a condition of stability of international reproduction of capital.

The recovery of accumulation after 1982 expresses labour's productive power not only in terms of increased output which capital contained within the limits of its form by speculative credit-expansion. The productive power of labour is expressed, also, in the revolutionising of its disruptive power. The revolutionising of its disruptive power is expressed in the form of the new methods of production that have been implemented unevenly, incrementally and spasmodically, but increasingly since the late 1970's.

The boom of the 1980's did not reintegrate those made redundant into expanded capitalist command over labour for the purpose of exploitation. The closure of plant has occurred at the same time as the leading corporations have been implementing programmes for investing in new machinery on a very large scale. Under conditions of intense international competition, this investment fostered the tendency to overaccumulation because the revolutionising of labour's productive power increased output compensating for the liquidation/devaluation of capital during the recession. The revolutionising of labour's productive power increased output in such a way that capital found it difficult to regard the unemployed as a component of variable capital (i.e. living labour as a component of capital's imposition of the valorisation process). The organisation of those 'disenfranchised' from direct capitalist command in production involved the state in imposing the capitalist form of social reproduction over the working class. Such an imposition, however, involves normalisation and domestication costs militating against the reduction of public expenditure. However, how can one understand that capital, in the face of a major success in reasserting its right to manage in the form of speed-up, and the curbing of customs and practices, did not adopt a managerial strategy of hire and fire, of job and employment flexibilisation?

The way in which the new methods of production were implemented by capital took away control from the production workers and furthered centralised management control (A. Pollert 1988). The compulsion for each individual capital to increase the density of work (i.e. increased flexibility/mobility in work) made itself felt through the increased productive power of labour which the new means of production allowed. Capital's attempt to increase flexibilisation in work (and in employment) is not new (4). As A. Pollert (1988, p. 45) argues, "capital has always required flexibility of labour; the struggle over its control has structured management, developed the capital labour process and form of labour organisation. Capital's harnessing of flexibilisation of living labour is the most important feature of the labour process". Management's attempts to increase labour's flexibility and mobility in work "remains an area of struggle as it was before; in spite of unemployment and the appropriation of 'flexibility' as a managerial and market concept..." (ibid., p. 70). The area of struggle mentioned by Pollert is the struggle over the way in which management seeks to set labour in motion. This struggle involves the recomposition of the use of living labour in production by extending and intensifying the working day, by curbing living labour's rigidity (i.e. absenteeism, sabotage, and deliberate sloppiness), by increasing mobility within production, by 'flexibilising' wages (upwards and downwards and hence against each other), by decentralising bargaining procedures based on individual worker's performance, by imposing wage differentials in the attempt to undermine collective identity in favour of paternalism and individual gratification for quality work (see Garrahan/Steward 1989 on Nissan) (5), by recomposing the hierarchical organisation of control and the role trade unions in the negotiation of order, by curbing health and safety standards, by curbing costums and practices etc. However, management had to reorganise work not only against the resistance of the working class, but also with the agreement of the working class if capital was to ensure the productive potential of self-discipline at work (i.e. 'work with pride': Holloway 1987). The high capital intensity asserted labour's productive and disruptive power as marginal disruptions of work have a considerable impact on the organisation of continuous production.

The continuity of production is of vital importance if capital is to avoid devaluation and competitive erosion. The sustaining of continuous production is much more important in the face of overaccumulation, a high organic composition of capital and the supremacy of interest bearing over functioning capital. The new methods of production need to be consumed much more productively by stretching their productive potentials to the limits (intensification and extension of exploitation). While good working relations with trade unions might solve some of these problems, control can never be strong enough to be always master. Competitive pressure to realise abstract labour on contracting markets bears down on the individual producer as constant pressure to eradicate the volatility of the living, form-giving fire of labour. The revolutionising of labour's productive power centred around robotisation, computerisation, and computer aided screening and monitoring of work. Monitoring, screening and work pacing by robots offered a means of control with which management sought to ensure effective work performance. New technology was of help as it supervised much more efficiently the direct production process. According to Palloix (1976;see also Coriat 1980;Coriat/Zarifian 1986;

Woods 1986) the productive potential of the new methods of production is due to the advance delivered by new technology in controlling living labour. Equipped with computer aided forms of control, every minute of the worker's day can be monitored and the worker's work rate can be paced (CSE 1980). "The application of technology has been more about control than about flexibility" (Wood 1987, p. 14 on the restructuring in the car industry)(6). By watching a screen, foremen are able to monitor how fast workers are working and when they take breaks (see CSE 1980).

This development had implications for the function of management to contribute to the collective process of production by setting labour in motion. The function of management to control labour is implied by the wage contract that merely concerns the price of labour power and hence the ability to work. The realisation of labour's potential to work is by no means a simple economic exchange; it is a process outside the limits of the market. The class struggle over the imposition of work recomposed the role of management as the implementation of computer-aided control involved the redundancy of established rules and practices (or customs and practices and job demarcations). The implementation of computer-aided means of control diffused management's control over labour to the shop floor through screening. However, the diffusion of management to the shop floor had to permit a certain degree of job control by workers so as to exploit the productive potential of workers' self-discipline and job motivation.

The continuity of production is dependent on at "least a measure of self-discipline of the work-force, the consciousness of a work obligation which requires the performance of a 'fair day's work'" (Hyman 1989a, p. 30). In general, employers sought to achieve competitive advantages by human resource management (see Hyman 1985b) so as to have a devoted work-force and, as such, to reduce the risk of deliberate sloppiness, sabotage and absenteeism (7). In the face of overaccumulation and crisis the greater the intensity of capital, the greater is the risk that marginal discontinuity in production turns into competitive disadvantage and, as such, into a devaluation of existing productive capital. There is hence reason for private capital to be reluctant to impose the 'right to manage' through a ruthless managerial policy of hire and fire. "Employers require not merely the passive compliance of their workers with specific managerial orders but their active co-operation, ingenuity and initiative" (Hyman 1989b, p. 30)(8). A devoted labour force provides a competitive advantage. The power of labour is expressed in managerial strategies that, even at the moment of a defeat of the organised labour movement during the early 1980's, seek to achieve 'a real break-through in attitudes' (9) through human resource management rather than by an overt imposition of command. When there are some four million unemployed, few managers attempt to control simply by wielding the threat of the sack as the "inevitable outcome would be bloody-minded resentment and active or passive sabotage" (Hyman 1985b, p. 103-4). Additionally, the new means of production require particular skills. For example, operator jobs in British manufacturing industry were down by 35%; craftsmen jobs by 15%, and supervision jobs down by 31%. On the other hand, employment of scientists and technologists in industry increased by 40% (Bassett 1986, p. 17). The form of constant capital demanded the harnessing of the productive potential of a motivated and devoted work force. Further, the skills that the new means of production demanded are in short supply. "Yesterday's labour aristocrats, once contemptuous of those on the margins like women, now find themselves on the scrap heap" and the "young find that no-one wants their muscles" (Leadbeater/Lloyd 1987, p. 196). The shortage of skilled labour which the new methods of production demanded made it necessary for management to retain and motivate skilled labour so as to consolidate internal labour markets. In turn, the retaining and motivation of skilled labour involves that the imposition of work had to be imposed in a way which is more or less acceptable to workers.

Employers could not just adopt Edwardes's (1984) prescription and practice as to how to reassert the 'right to manage' because it would undermine the self-discipline of workers that is needed to make the intense composition of capital productive. Management depended on retaining and motivating its labour force. The dependence on particularly the skilled section of the work-force and the competitive advantage of work motivation rendered impossible a policy of hiring and firing. As such, the new means of production are only implementable by bigger capitals having the means of buying off their work-force and having the financial resources, including credit worthiness, of meeting the minimum cost of production (entry barrier of production). In sum, the revolutionising of labour's productive power asserted itself not only in the form of increased output which was realised on the basis of global deficit financing of demand. The productive power of labour asserted itself also in the form of constant capital that demanded a motivated, devoted and skilled work-force. In sum, the revolutionising of the productive forces involved the reassertion of labour's productive and disruptive power which, in the form of constant capital, impinged on capital in the form of a shortage of skilled labour, high investment costs and a high capital intensity. Instead of increasing the turn-over of labour so as to undermine the downward rigidity of wages and so as to impose work by telling the worker what to do and at what speed, management relied on consolidating internal labour markets. Further, the boom did not absorb those who were made redundant during the early 1980's. Mass unemployment persisted throughout the 1980's. The revolutionising of labour's productive power did not result in an expansion of capitalist accumulation absorbing those made redundant. This development signals that capital found it difficult to consider the social labour power as a variable component for expanded surplus value production. Capital's revolutionising of labour's productive power coincided with the exclusion of a vast number of people from direct production. Additionally, management responded to the disruptive power of labour by conceding wage increases; the monetisation of protest into demand. The average increase in wages during the 1980's seemed to have been, however reluctantly, acceptable for management as a quid pro quo for industrial peace and intensified work. Given the competitive advantage of good working relations with labour, the managerial strategies might be termed 'payment for commitment'.

The costly revolutionising of production led to managerial strategies of decreasing the faux frais cost of production (e.g. cost of storing components of production) so as to achieve a competitive advantage by decreasing cost price of production. Here too, the issue of continuity is of vital importance. For individual capitals engaged in strategies such as just-in-time production (see Sayer 1986), the central issue of containing labour within the concept of profitability constitutes itself as a question of control over living labour within and beyond the direct production. From the point of view of management to organise the direct production process the practicality of just-in-time production presupposes a social environment that is certain (Holloway 1987). Disruption in production of required components interrupts production beyond the particular company in which the disruption occurred by disrupting the whole productive system constituted by just-in-time. The disruptive potential involved in just-in-time production was highlighted in the recent national strike at Ford-UK (early 1988). The implementation of just-in-time at Ford-Europe implies that stocks were reduced to the very limits of the requirement for final assembly. When the strike started, "the effect has been that, as soon as Ford workers in Britain started their strike, Ford's multinational production in the rest of Europe was crippled because of a shortage of supply" (Martin 1988, p. 50). In the face of huge loss in production and money, Ford was forced to give in to the demands of its work-force after only a short period of strike action. Just-in-time production makes capital enormously vulnerable to disruption, once social peace breaks down. While the work-force in one factory might be committed to work, the one in another might not, causing the disruption of production in both. Reduction of the work-force, automatisation and cost saving organisation of production increased the productive power of labour and its disruptive potential; the presence of labour in and against capital asserted itself in the form of constant capital.

The willingness of employers to manage industrial relations by consolidating internal labour markets needs to be set in the context of the integration of abstract labour with the value form on the basis of credit-expansion. Reproductive capital has to realise not only its own capital but also that of its creditors. Industrial relations difficulties not only involve competitive disadvantage on the produce market but foster also speculative movement of money capital on the stock market. Such movements might well produce adverse effects on the liquidity of enterprise, in particular at times of nervous financial markets. Money capital offers additional credit as long as this investment offers real returns. The increase in productivity after 1982 offered such a security. However, this security was fragile as labour's productive power was contained within the value form through credit-expansion. The stability of international money depended on the productive imposition of work. However, labour's productive and disruptive power implied a strong bargaining position vis-á-vis management. Capital's command over labour's productive and disruptive power depended on retaining and motivating labour and on the stability of global credit markets which underpinned productive activity. The revolutionising of labour's productive and disruptive power was not contained on the basis of the development of new forms of production, i.e. the integration of the social labour power into an expansive reproduction of surplus value production and the constitution of the circuit of social capital on the basis of an integration of the valorisation with the labour process. Rather, the category of abstract labour was integrated with the value form on the basis of a credit-explosion and a credit expansion. The ability of capital to realise abstract value on the market was based on the fictitious integration of production and circulation: i.e. the restoration of profitability for reproductive capital was based on the suspension of limited markets through the massive redistribution of income in favour of the rich and the enormous expansion of credit, in particular in the US. The shift of debt to the US and the diversion of surplus capital into global deficit financing of demand contained labour's productive power during the 1980's. The boom of the 1980's has been based on the intensification of work, the revolutionising of labour's productive power and the containment of this power within the limits of the value form through deficit demand management. The stability of the boom depended on the ability of the multiplicity of states, in particular the US, to underpin credit-expansion through monetary and credit policies. The security of the global flow of money depended on the capacity of the state to secure acceptance by international credit-markets of the convertibility of the huge increase of speculative capital into reserve money. The stability of the boom depended on the ability of the multiplicity of states to impose the money power of capital upon the conditions of life. The restoration of financial stability depended on the ability of the multiplicity of states to enforce the imposition of the abstract equality of money upon the working class. Such an imposition involved, fundamentally, the enforcement of debt over the working class and the international guarantee of the credit expansion that financed the US's deficits. In the UK, the eradication of debt was achieved through the recomposition of the welfare state, decreasing personal allowances, the imposition of tight monetary control over the local state and, fundamentally, through North Sea Oil profits that kept the balance of payment positive, as well as the financing of public expenditure through privatisation of nationalised industry.

During the boom, superfluous capital found new speculative outlets in financing the growing US budget-deficit, while rates of profits remained lower than interest expectations. International stability rested on high interest policies, especially in the US. The redistribution of wealth in favour of the rich and high interest rates stabilised the dollar which, in turn, stabilised global money markets through the absorption of superfluous money that financed expansionary deficit demand management. However, the realisation of capital on the US market was largely fictitious, financed by budget deficits, which themselves were financed from Eurodollar markets. The boom rested on the ability of the US to reconcile rising deficits with a strong dollar, thus accommodating global recovery with the absorption of speculative capital. High interest rates in the US led to an appreciation of the dollar (the dollar exchange rate increased by 60% compared with a basket of currencies on world market between 1981 and 1985: Guttmann 1989, p. 42). However, the appreciated dollar increased imports into the US at the same time as US exports decreased. As a consequence, the US trade deficit deteriorated. However, net-imports into the US stimulated economic growth in other countries, stimulating a recovery on the world market. Further, the appreciated dollar reduced the risk of inflation because of the import of relatively cheap commodities from other countries into the US and the depressive effect of the dollar on prices on the world market. Further, the deteriorating US trade deficit reduced the economic growth rate in the US at the same time as superfluous capital found new ventures of investment on the US credit market. The financing of the eormous US's trade and budget deficits through capital imports transformed the US from being the biggest creditor to being the biggest debtor of the world (Dziobek 1987). This deficit was financed by borrowing, the dollar being sustained by the inflow of speculative capital and debt bondage forced upon so-called debtor countries (Frank 1987). In the aftermath of the debtor crisis in 1982, this development opened up new opportunities for banks to switch the focus of loans to governments of advanced capitalist countries (Altvater 1985;Coakley 1988). The money flow into the US was made possible by high interest rates in the US. This development permitted the US dollar to remain world currency, despite the rapid deterioration of the US national economy (Frank 1987;Altvater 1985;Hübner 1988).

The growing tension between the speculative containment of labour's productive power and the ability to guarantee the convertibility of debt into central bank money depended on the stability of international money markets which, in turn, depended on the stability of the dollar. The stability of the dollar depended on the productive imposition of work in the US and the containment of the working class, domestically and internationally, through austerity measures. However, the "high dollar reduced the US exports" (Evans 1988, p. 13). As in the late 1960's and late 1970's, the national economy of the US was not only weak in relation to its main competitors, but on the edge of a deep crisis. Reaganomics put a face of glamour on this development while in fact fostering decline. The containment of labour's productive and disruptive power had taken a new turn in that the world money markets developed on a depressive spiral ever the more fragile the more the boom progressed. The restoration of the international role of the dollar and the international chain of debt was living on borrowed time. This time was running out as the US trade imbalance, financed through credit, grew out of all proportion (Hübner 1988). In 1982 the US had a debt of $6 billion which grew to $130 billion by 1987 (Dziobek 1987, p. 60) and to more than $500 billion of foreign debt and $11.4 trillion of domestic debt at the end of the decade (Bond 1990, p. 175), compared with an external 'Third World' debt of $1.3 trillion at the end of 1988 (ibid.). Reagan's attempt to make the US politically and economically strong again by 'living beyond its means' turned the supply side policy to a supply of foreign capital. This development made high interest rates in the rest of the world a means of checking the flow of money capital to the US and for stabilising currency. The initial success in putting downward pressure on inflation proved to be a boomerang because of the increase in the money supply through international deficit financing and fiscal redistribution of wealth in favour of the rich. In the face of the unresolved debtor crisis, the sustaining of labour's productive power in the form of capital through speculation could not last.

By 1985, the US responded to increasing speculative pressure on the dollar that, in the face of a deteriorating balance of payments, threatened to halt the US boom. The US reacted by devaluing the dollar in the attempt to "reduce its need for foreign finance not by curtailing domestic accumulation, but by devaluation so as to make exports more attractive" (Evans 1988, p. 13). While the rest of the world had to cope with inflationary pressure, difficulties in maintaining export rates and in preventing import penetration, the devaluation of the dollar drove the dollar into an uncontrollable slide threatening to destabilise the international monetary system which was working with an overextended volume and turn-over of fictitious capital that, itself, was spreading into more and more speculative channels (Traber 1986). In order to prevent this slide from ruining the domestic accumulation, European and Japanese Central Banks spent £70 billion between January and May 1987 in the attempt to stabilise exchange relations (Evans 1988, p. 14). In the event, official intervention by central banks meant that they effectively financed over a third of the US trade deficit in the first half of 1987. The international attempt to stabilise exchange rates failed, unleashing "a renewed round of real competition for financial capital and real investment between the United States on the one hand and Germany and Japan on the other. The chosen weapon in this economic warfare was a repetition of competitive interest rates hikes, which among other things depressed bond values and stock prices" (Frank 1987, p. 4). While the rate of return on US bonds increased from 8% in January 1987 to just over 10% at the beginning of October, and while the stock market boom continued to attract capital, the price of shares had risen, by the end of August, "to a level that yielded a return of only 5 per cent" (Evans 1988, p. 14). In the face of an enormous accumulation of debt that looked more and more dubious, the combination of overliquidity of money capital and declining rates of return gave momentum to increased speculation that ruptured in

1987. The crash in 1987, and its after shocks in 1988 when £5000 billion were wiped off on the London Stock Exchange in August (see *The Guardian* 16.8.1988), and in October 1989, indicated the fragile foundations of the boom.

The crash, while bringing home dramatically how precarious were the foundations of the boom, did not result in an entire meltdown of the stock market, which was prevented by a temporary shutdown of the futures exchange in Chicago (see Frank 1987). Further, the stock market boom during the 1980's had a "negligible effect in encouraging capital accumulation" (Glyn 1988, p. 22), as can be seen in the big disproportion between monetary and productive growth rates. On this score, the crash wiped out speculative capital that had accumulated by investment in junk bonds, overvalued shares, safety net markets, and other secondary markets. Further, the Federal Reserve launched a rescue operation on the day after the crash, providing financial help to cover losses. Additionally, it reduced the dollar exchange rate and interest rates, permitting industry to survive the crash without further damage (Guttmann 1989, p. 47). However, the crash indicated how far the autonomisation of unemployed capital that could not be reconverted into capitalist command over labour had developed.

Whether the rupture of the tension between capitalist command over labour and the supremacy of the meaningless, but elementary, form of money capital will lead on to a deep depression or a prolonged crisis-ridden process "with alternating phases of recession, stagflation, and even renewed bursts of accumulation" (Clarke 1988b, p. 87) depends on the outcome of the class struggle over the imposition of work and the ability of political authorities to reimpose the value form upon the conditions of life (i.e. debt enforcement). However, there is no doubt that the crash in 1987 has set the containment of labour's productive power through credit-expansion and speculation to music. Before the crash, the multiplicity of states failed to square the circle of simultaneously balancing domestic budgets and foreign trade, stable interest rates and exchange rates and economic growth without triggering inflation or recession. Mutual dependence between the multiplicity of states, with the supremacy of the US, and immobility on the domestic and international economic front, indicates that the room for manoeuvre is more than ever restricted after the crash. After the crash, capital succeeded in sustaining the boom by reconciling global reproduction with controlled devaluation of superfluous capital. Since 1987, a series of partial defaults were "juggled skillfully by the bureaucrats and money mandarins of the international financial system (primarily the US Federal Reserve, International Monetary Fund, Bank for International Settlements), and backed by easy government 'lender of last resort' liquidity for highly exposed and especially vulnerable financial institutions" (Bond 1990, p. 173). However, the skillful control of partial default coincided with a further increase in global debt. Estimates by financial experts suggest that the US foreign debt will be at about $1000 billion by 1991 (Guttmann 1989, p. 42;Bond 1990). Additionally, interest rates are on the way up again, sacrificing productive activity on the altar of money. "There is no doubt that we are entering a period in which the overaccumulation of capital will lead to an intensification of class struggle and increased domestic and international tensions" (Clarke 1988b, p. 87). The inflation of credit and the channelling of money capital into increasingly speculative and unproductive forms of investment is the most powerful expression of the non-resolution of the crisis of overaccumulation and the current fragility of the reproduction of social relations of production. The financial system survived the crises of 1974, 1979 and 1982. The crash in 1987 "has further undermined the pyramid of debt, and it is unlikely that it could survive another severe blow" (Clarke 1988a, p. 175). The development of class struggle is by no means predictable. However, if there were to be a renewed US contraction and a major default of credit, a global collapse would be likely.

II The Implications of the Money Power of Capital for the State

After the break-down of Bretton Woods, nation states are no longer insulated from short-term speculation on the international money markets. For the state, the barrier to the sustained domestic accumulation appears in the form of global constraints on the realisation of national wealth in money on the world market. The global limits of accumulation assert themselves to the domestic organisation of accumulation through the money power of capital. The credit-sustained accumulation integrates labour into the capital relation on the basis of global deficit financing, sustaining accumulation in a more and more speculative dimension. The speculative dimension of accumulation impinges on the state through the speculative movement of superfluous capital. The mobility of speculative capital asserts the rupture of capital's domination over labour's productive power in the form of international financial volatility over the conversion of debt into means of payments. International volatile money increased uncertainties of economic and financial policies. The deregulation of exchange rates increased the volatility of the international realisation of national wealth as it is only after profits realised in dollars on the world market are converted into the money of bookkeeping that individual capitals located in a particular nation state are able to determine whether the cost price of production is recovered and whether an average rate of profit is realised. The reassertion of monetary constraint over the state in the form of balance of payment problems and international speculative pressure against currency checked the imposition of work and domestic financial soundness, subordinating monetary and credit policies to the global limits of accumulation. In the event, the deregulation of international money markets and floating exchange rates made a nationally engineered recovery of accumulation through monetary expansion impossible. "With conditions of high inflation and little economic growth the spectrum of economic activity about which decisions have to be made shifts to a much quicker and unstable regime, led by the exchange rates" (Thompson 1986, p. 48). International monetary pressure on national currency put constraints on budget-deficit financing as international capital movements began to undermine domestic attempts to contain labour by stimulating productive activity through deficit spending. Pressure to rectify inflationary money supply and to reduce public debt asserted itself over the state in the form of a destabilising movement against the exchange rate by private capital. As "capital movements within the international economy began to dominate balance of payment and exchange rate considerations" (Thompson 1986, p. 13) the uncertainty of the domestic organisation of money increased, asserting pressures to curb inflationary credit-expansion, i.e. state deficit financing as a means of integrating labour's productive and disruptive power. The ultimate sanction for a domestically engineered management of accumulation (expansive policy) that is in some way 'incompatible' with global accumulation was speculative pressure on its national currency. Such pressure restricts national authority over money and credit-expansion and subordinates national policies to the international movement of money capital. While the multiplicity of states guarantee all money, the national organisation of money became more and more dependent on the global flow of capital outside the state's control. In sum, the international monetary pressure on the national organisation of money implied that national authority over monetary policies was severely restricted as it was the international flow of money which imposed global constraints on nation states. National authorities could no longer spend their way out of a recession and could no longer contain labour's productive and disruptive power by transforming protest into demand.

The containment of labour on the basis of deficit financing of 'integration costs' (social reforms, welfare, full employment guarantees) and balance of payment deficits involves the contradiction that the state incurs debt, the validity of which depends on the capacity of the state to act as lender of last resort. In order to guarantee convertibility, national authorities need larger, not smaller, reserves (Clarke 1988a), so as to be able to convert claims on central bank money, if the stability of international exchange on the world market is be secured and the global flow of capital maintained. Failure to secure acceptance of international money holders through the political guarantee of convertibility of money into central bank money involves, firstly, speculative pressure on currency, prompting a diversion of the global flow of money and threatening to undermine the integration of domestic accumulation into the world market. It involves, secondly, a destabilisation of international credit-relations as creditors demand cash payment, threatening to undermine the reproduction of all social relations which rest on credit. The implication of unregulated global credit-relations is that the state transforms from being redistributor of wealth in the last instance into lender of last resort in the last instance (Marazzi 1976). The implication of the liberalisation of international currency and credit relations was that the state could no longer adhere to policies of social consensus.

The effect of expansionary credit policies was that, the higher the credit sustained accumulation, the more additional demand for credit was required in order to avoid a break-down of the credit-system and to maintain global reproduction of capital in the face of high inflation and slow rates of economic growth. The regaining of control over inflation involves the eradication of debt. In turn, the eradication of debt entails a shift from inflationary demand management to a policy of sound money so as to improve the reserves and to maintain formal exchange equality. Larger reserves depend on abandoning an expansionary integration of labour through deficit demand management. Abandoning deficit-financing implies the deregulation of existing guarantees of full-employment growth, income (rising welfare expenditure) and the maintenance of unproductive producers (scrapping of unproductive plants). State deficit financing does not create possibilities for the state to repay debt directly. The state deficit can be reduced only through cuts in public expenditure or during a period of booming accumulation which, itself, presupposes a rigorous intensification of work and mass devaluation of capital. Such a devaluation, in turn, involves a possible threat to international credit-relations through debt default, and bankruptcy of nation states as markedly expressed in 1982 (debtor crisis). The constituting power of labour impinges on the state through the contradiction between functioning and money capital.

So far as the state is concerned, this contradiction appears in the form of a disunity as between the unfettered revolutionising of labour's productive power (the so-called 'overheating of the economy') and speculative pressure on currency (credit-expansion 'incompatible' with global limits of accumulation). However, the state can not resolve the contradictions of capital through inflationary or deflationary policies but reproduces them in a political form. The regaining of control over the money supply involves the enforcement of debt over the conditions of life. The enforcement of debt over the conditions of life involves the imposition of money in command (poverty, unemployment, economic insecurity). At the heart of inflationary and/or deflationary policies lies the class struggle over the imposition of the value form over the conditions of life. Fundamentally, the imposition of money in command involves the monetary decomposition of class relations, i.e. the imposition of formal exchange equality on the basis of the categories of property owner and citizen endowed with certain rights and responsibilities. The imposition of exchange equality involves the state in imposing the limits of the market over the ambitions of 'property owners' through the money power of capital as form of social command: i.e. the suppression of labour's productive power (i.e. the 'overheating of the economy') and the oppressive accommodation of social aspirations to tight monetary control. The imposition of money in command involves, in turn, the attempt to undo the whole way in which social relations were constituted since the war. Instead of the Keynesian attempt to transform protest into demand, the imposition of money in command implies the subordination of the social to the limits of capital, expressed in the abstract equality of money. Instead of income and employment guarantees, money in command involves the subordination of the working class to the 'dictates' of the market (pricing into employment, abdication of political responsibility for recuperating the effects of unemployment and economic hardship). The imposition of money in command entails the repressive use of state power so as to supervise the imposition of the commanding power of money over the conditions of life and to make certain the subordination of the conditions of life to debt enforcement.

Fundamentally, the attempt to contain labour within the limits of capitalist reproduction responds to the composition of the class relations that are characterised by the universalisation of the collective power of labour as the antagonistic force to the power of money. Labour's power is collective because of its productive power which capital sought to contain through credit-expansion and because of the globalisation of its collective power as, for example, the assertion of resistance against austerity policies in debtor countries involved a threat to the stability of international credit-relations and the political stability of the multiplicity of states. On this score, labour assumes an existence as an antagonistic force to the power of money; labour assumes existence as a collective subject that exists in the power of money in a mode of being denied. The rupture of the contradictory unity between different value forms and the category of abstract labour involves the recomposition of class as the antithetical subject of money in command. The collective power of labour is constitutive of the speculative dimension of accumulation as capital cannot be converted into effective command over labour for expanded exploitation and as labour resists the decomposition of social relations on the basis of austerity control. In turn, the category of money is a reification of labour's constituting power. It is a reification of labour because, in money, the social usefulness of production appears as a mere thing (interest), inasmuch as the connection of money to labour, and thereby the constituting power of labour, is seemingly eliminated. Capital, that is the presence of labour in and against capital, becomes a subject in the form of the destructive power of money that threatens to undermine the whole way in which the productive power of labour is contained within the form of capital. However, it was the failure to contain labour's productive and disruptive power within the concept of profitability which led to the spill over of unemployed capital into monetary investment. At the same time, the stability of credit depended on the capacity of capital to set labour in motion productively. The stability of credit depends on the reintegration of the abstract category of labour with the value form on the basis of the supremacy of the valorisation over the labour process. Since the late 1960's, credit expansion integrated abstract labour with the value form on the basis of speculative deferral of mass liquidation and of devaluation of capital. The recessions of 1974-5 and 1979-82 and the crash in 1987 have not removed the tendency to overaccumulation of capital. Indeed, labour's productive power has been accommodated by the explosion of domestic and international debt. Inflationary and deflationary policies reproduced and reinforced the speculative integration of the category of abstract labour with the value form. The abrasive attack on the working class through the imposition of money in command imposed the limits of the unfettered expansion of capital by reimposing formal exchange equality over the conditions of life.

The integration of national wealth into the world market depends not on exchange rate fluctuations, but on the reproductive structure of national economies within the circuit of social capital on the world market. Although the reassertion of overaccumulation and crisis in the form of the money power of capital impinges on all nation states, it is much more severe in the case of the UK. This is so because of the UK's peculiar integration into the international division of labour, i.e. into the circuit of capital. From the point of view of the most fundamental level of the world market, the peculiar integration of nation states exists as a moment, or mode of existence, of the contradiction of capital in its development of the productive forces of labour without limits and its need to confine accumulation within the limits of the capitalist form. Within the international circuit of social capital, the UK attains a role not only as a low wage and low productivity country (Fine/Harris 1985). Fundamentally, the UK attains a position as an offshore financial centre in and through which the monetary circuit of social capital flows. The 'fractionalist approach', as introduced in chapter I (Ingham,Anderson), accounts for the peculiarities of the UK as ones which mark the division between finance and industry. The historical roots of this division can be traced back to the commercial and financial dominance of the UK in the last two centuries (as expressed in the power of the City as an international clearing house, the military creation of an internal market (i.e. the British Empire) and the transnational organisation of British capital associated with the British empire) (see Ingham 1984;Gamble 1986;Clarke 1988a,1988c). However, such dominance cannot be explained by the social, economic and political power of finance capital and its embodiment in the institutional structures of the state and society (as in, for example, Ingham 1984). Such dominance needs to be explained through the integration of the UK into the international circuit of capital, a circuit in which the monetary circuit is only one, however the most elementary and meaningless, moment of the general 'interest' of capital: profit.

Despite a relative decline of the UK's industrial might relative to its main competitors, the City of London was able not only to defend its position but to improve its competitive position by taking advantage of new financial markets. The competitive position of the City vis-á-vis its main rivals on the world market is underpinned by the relative advantages of the City as one of the least regulated banking centres in the world. The international orientation of 'British' capital coincides with relatively unrestricted political constraints on enterprise, permitting the unfettered operation of the market forces beyond domestic constraints. This liberal political organisation of enterprise underpinned the international role of the City. It was the City of London which opened up the first off-shore banking institutions in 1957 (Schubert 1985). "London had a long history as an international financial centre, although until the 1960s it was still oriented towards the remnants of the British empire. The City quickly recognised the importance of the Eurodollar and, with zeal that was in marked contrast to that of industry, it set about restructuring its operations so as to capture the new market for itself" (Evans 1985, p. 109). The City is "the main centre of this rapidly growing international financial market" (ibid.). The City is one of the world's main centres of all international lending. "In 1982, 27% of all international lending took place from London, making it far and away the most important single international centre" (Spence 1985, p. 122). In contrast to the development of the City, the British economy has gradually declined since the end of the last century (Gamble 1986;Ingham 1984;S. Pollard 1982).

Ingham and S. Pollert are right in pointing out that British industry has been sacrificed on the altar of money. However, the 'decline of Britain' has by no means been matched by a decline in the power and prosperity of 'British' capital. "The overseas strength of British big capital has compounded the debility of British capitalism" (Rowthorn 1975, p. 175). While the City responded to the decline of the pound by detaching its operations from reliance on the domestic currency, productive capital has taken, in the face of domestic mergers and monopolisation (see Gamble 1986), advantage of the global strength of the City. 'British' capital has expanded business to international markets. This expansion has been based on multinational companies. "It helps to account for one of the great paradoxes of British decline - why an economy performing so poorly should nevertheless have produced more multinational companies than any other country apart from the United States" (Gamble 1986, p. 109). The distinctive feature of multinational companies is not simply that they plan and execute production on a global scale, but that they internalise the complementary functions of productive, commercial and money capital, subordinating production to the expanded reproduction of capital by exploiting opportunities for profit wherever they may be found. The international orientation of 'British' capital involves more advanced capitals being less dependent on domestic markets at the same time as their competitive position on the world market depends on a policy of financial stability so as to maintain and to improve formal exchange equality on the world market itself..

After the second World War, a strong pound reduced the cost of 'British' based multinational companies transferring production abroad as overseas assets could be acquired relatively cheaply (see Clarke 1988a). The rapid globalisation of capital accumulation after the World War reinforced the dominance of the City, neutralising attempts to revive the British economy through inflationary deficit demand management. The international orientation of 'British' capital coincided with a powerful pound sterling, permitting a global orientation for exploiting productive and financial opportunities on the world market. With the restructuring of international monetary relations (see Bretton Woods), the UK became subject to strict balance of payments restraints which resulted in the so-called 'stop-go' cycle. Although the problem of developing the domestic economy within internationally fixed exchange rates is to some extent the 'normal' situation for any nation state, it was more severe in the case of the UK because of the reserve role of the pound. The reserve role of the pound formed the basis for the City's post-war revival as an international financial centre. The international role of the pound and the international orientation of 'British' capital was matched by a constant decline in the productive power of the UK (Gamble 1986;Gamble/Walton 1976), resulting in constant balance of payment problems and difficulties in stimulating domestic expansion through deficit financing because of constant pressure on the exchange rates. After the second world war the pound was no longer backed by the UK's industrial strength (Gamble/Walton 1976). Pressure on the exchange rate continued after the break-down of Bretton Woods. The floating of the pound in 1972 meant that the volatility of speculative pressure on the pound intensified while fictitious transactions which cross international boundaries increased. As these transactions are in a sense "fictional transactions and indicate nothing else about the real economic activities that occur within nations" (Harris 1977, p. 127;see also R. Murray 1975), the contradiction between the tendency of capital to develop the productive power of labour without limits and the need to confine labour's productive power within the limits of capital asserted itself over the UK in numerous pound sterling difficulties. These difficulties express the underlying weakness of imposing work productively and of containing the working class on the basis of deflationary attack. "Given the inadequacy of the reserves, every balance of payments crisis caused a run on sterling and produced measures to deflate demand and cut credit and investment" (Gamble/Walton 1976, p. 156). Because of the relative decline of the British economy (Gamble 1986), the global limits of accumulation impinged on the UK in the form of chronic balance of payment deficits and accelerated inflation, threatening to undermine the solvency of the UK and the formal exchange equality of 'British' capital on the world market. Every balance of payment crisis involved pressure on sterling, impinging on the state in the form of international pressure on the currency exchange rate and precipitating difficulties for servicing credit-financed balance of payment and budget deficits.

In the face of an accumulation of public and private indebtedness during the 1970's, the City's reorientation from purely borrowing and lending in currency to profit seeking engagement in interest rate and exchange rate speculation affected import and export costs and increased the volatility of the balance of trade. Associated with growing budget-deficits during the 1970's, this development intensified speculative pressure on the pound as confidence in the ability of the UK to act as lender of last resort eroded. By 1976, the balance of payments was poor enough to reduce the value of the pound substantially. This depreciation, in the face of high inflation, low productivity and industrial relations problems, effectively precipitated a further deterioration of the balance of payments as a growing import penetration could not be compensated by increased export earnings. Although the depreciation of the pound favoured capitals integrated into the world market via exports, high inflation, low productivity, the generalisation of the methods of production and growing export of productive capacity did nothing to ensure the working of the mechanism of currency depreciation. Further, depreciation was faced with the opposition of the City because of the devaluation of pound sterling and, with it, the debt monetarised in sterling. The crisis of capitalist domination over labour impinged on the UK so dramatically because of the combination of an international orientation of 'British' capital and a weak domestic economy which no longer underpinned the international role of the pound and the financial activities of the City. The UK had industrial strength neither to increase its exports sufficiently nor to finance its soaring public expenditure which increased dramatically during the 1970's (Gamble/Walton 1976). In the face of a falling pound and a steady increase in the balance of payments deficit, the Labour appealed to the IMF in 1975 and 1976. Britain applied for credit so as to finance its deficits and so as to maintain formal exchange equality of the pound on the world market. IMF credit helped to maintain the cash flow, the long-term condition of which was the regaining of financial control through deflationary policies. As the then Prime Minister, James Callaghan, put it at the Labour Party Conference in 1976: "We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists and that so far as it ever did exist, it only worked by injecting inflation into the economy. And each time that happened the average level of unemployment has risen. Higher inflation followed by higher unemployment. That is the history of the last twenty years" (as cited in Gamble 1984, p. 87). By 1976 the speculative pressure on the exchange rate and balance of payment problems led government to alleviate pressure on its budget-deficit through cuts in especially social expenditure. The Callaghan government's economic policy was extensively praised in the international business press as "a significant break with the neo-Keynesian 'demand management'", and the Labour government was seen as pushing in the right direction with its "more monetarist strategy" (*Business Week*, 30.10. 1978). By 1977 speculative pressure on the pound decreased, as the pound started to appreciate markedly in value because of the response of the financial market to the anticipation of North Sea Oil profits (Gamble 1988). The appreciation of the pound restored the international role of the pound, neutralising attempts to alleviate pressures on the productive integration into the world market through the depreciation of the pound.

The global crisis of capitalist command over labour for purposes of exploitation manifested itself in an autonomisation of money from productive accumulation. This autonomisation asserted itself, so far as the UK is concerned, in the dissociation of the City from the fate of domestic production. In the 1980's, the crisis-ridden disunity of productive and monetary accumulation asserted itself over the UK in the form of a disproportionate development between the balance of trade and the balance of payments. "Earnings on foreign assets have surpassed 5bn pounds in 1986, almost equalling the earnings from services (...). Despite a negative trade balance since 1983 the overall balance of payments has remained positive over the past 5 years, supporting the exchange rate of the pound and harming manufacturing exports even more" (Overbeek 1987, p. 8). Despite a massive destruction of productive capacity in the early 1980's, the balance of payments improved during the 1980's. This was so because of the windfall profits of North Sea Oil (see Clarke 1988a;Keegan 1984; S. Pollard 1982;Spence 1985). The second deep recession in the early 1980's, although severe for the UK, was cushioned by these profits, especially in the wake of the major rise in the price of oil in 1979. The only thing that kept the visible balance of payments positive was North Sea Oil (Keegan 1984). The effects of North

Sea Oil have been contradictory. On the one hand, North Sea Oil profits helped to alleviate the financing of public expenditure and to improve the balance of payments, reducing speculative pressure on the pound and leading to a rapid appreciation of the pound between 1977 and 1982. North Sea Oil restored international confidence in the pound. At the same time, it intensified competitive pressure as the appreciation of the pound, and higher interest rate policies, made it harder to export from, and easier to import into, the UK (Gamble 1985). On the other hand, the overvalued pound reduced the cost for 'British' based multinationals transferring production abroad as overseas assets could be acquired relatively cheaply (Clarke 1988a). The stability of the pound has also consolidated the City as one of the main centres of global speculation. However, the appreciation of the pound coincided with a further deterioration of the balance of trade, marked by the rapid decline of productive activity in the UK. The underlying deterioration of balance of trade asserted itself in the aftermath of the crash in 1987 (see Ball 1988). During the 1980's, the appreciation of the pound, rather than implying sound reproductive conditions of capitalist accumulation, put a face of glamour on the crisis of imposing work profitably. The international role of the City is not a sign of the strength, but an expression of the weakness of capitalist reproduction on a world scale. The 'decline' of the UK has only been the counterpart of a world boom which has developed the contradictions of capital "to a degree unprecedented in history" (Clarke 1988c, p. 33).

Since 1978 the UK has experienced a net outflow of capital (see Coakley/Harris 1983). This development was fostered by the abolition of remaining exchange controls in 1979. The abolition of already liberal exchange controls underpinned the globalisation of production, permitting multinational companies to devalue productive capacity internally and to move production into different areas. The internal devaluation of capital, a form of devaluation impossible for smaller capitals, is "the basis of trade union fears that the production abroad induced by direct investment is being used to substitute former export of commodities, and hence endanger jobs at home" (Olle/Schöller 1982, p. 52). The fear of job losses helped to undermine workers' resistance to restructuring (see Soskice 1984;and see Picciotto 1984 on the restructuring at Talbot-Poissy). However, this development needs to be treated with caution as high interest rates attracted money capital to London and since the UK is one of the main countries attracting productive investment, particularly from US based multinational companies (Overbeek 1980;

Fine/Harris 1985). In the 1980's, the bulk of the inflow of productive investment contributed to a geographically uneven recomposition of accumulation (de-industrialisation of the old heartland of heavy engineering and the opening up of greenfield sites). The threat of moving production abroad or into other areas within the UK proved to be of importance for the struggle over the right to manage and wages. However, the main proportion of capital inflow was attracted by the City. The international position of the City fostered the net outflow of capital since 1978, the merger boom of the 1980's and the international restructuring of multinational companies. Following upon the break-down of Bretton Woods, various financial deregulations aimed at recouping a central role of the City in the global financial networks. The incoming Conservative government lifted exchange controls in 1979 and deregulated the City in 1986 (Big Bang). The principal motive behind the deregulation of the City was the realisation that the London Stock Exchange was in danger of losing ground to other centres. "The Big Bang has afforded London one major advantage over its two main competitors [New York and Tokyo]. London is the only one of these three centres which does not restrict the securities activities of its commercial banks and which grants banking licences to investment banks. That is, London is the only centre which offers free trade in all types of international securities and banking markets to both commercial and investment banks" (Coakley 1988, p. 18). The lifting of exchange controls reaffirmed the organisation of 'British' capital detached from domestic accumulation and markets. The abolition of exchange controls led to an enormous export of capital from Britain. Capital outflow increased from £2 billion per year at the end of the 1970's to £6.5 billion in 1979, £8 billion in 1980 and £10.7 billion in 1981 (Spence 1985, p. 122; citing Harris 1983). The stock of British direct investment abroad reached £110bn at the end of 1986 (up from £80 bn in 1985), amounting to a post-war record of 28% of GDP (see *Financial Times* 18.3.1987). British takeovers in the US reached the level of $ 5.2bn in 1985, up 33% from 1984 (*Financial Times* 20.2. 1987). The surge of UK takeovers in the US accounted for more than £12 billion in 1986, indicating the reliance on acquisitions at the expense of reproductive investment in the UK (see *Financial Times* 5.1.1987, as quoted in Overbeek 1987, p. 8). This development reaffirmed the transnational orientation of 'British' capital. Further, the City was one of the centres of interbank lending. Interbank lending of money accounted for 90% of all foreign exchange dealings in the 1980's (Coakley 1984, p. 171). The interbank market of credit expanded international credit-relations in the face of fluctuating interest rates and floating exchange rates. The fictitious character of these transfers puts pressure on the domestic organisation of money as money moves in and out of national boundaries attacking weak currencies, thus policing the political integration of the working class on the basis of the abstract equality of the money power of capital.

In sum, the so-called peculiarities of the UK (i.e. the division between finance and industry) connote the integration of the UK into the world market predominantly through the dissociation of 'British' capital from domestic constraints. The integration of the UK into the world market as an offshore financial centre is not backed-up by the productive imposition of work in the UK because of its relatively weak reproductive structure. The thesis of the incompleteness of capital organisation in the UK is misleading as the transnational organisation of 'British' capital and the development of London as the financial centre for the international circulation of capital expresses, fundamentally, the organisation of 'British' capital at the most fundamental level of the abstract category of labour in action (see chapter II). Rather than signifying the incompleteness of the organisation of capital, the international orientation of 'British' capital expresses the organisation of capital at the most fundamental level of the contradictory unity of surplus value production: the global character of accumulation and money as the elementary form of capital. The integration of the UK into the world market involves that the management of accumulation is much more exposed to the international movement of money, making the political integration of the working class on the basis of balance of payments and public spending deficits much more vulnerable to short-term speculative movements of capital on the pound. The attempt to confine the working class within the limits of accumulation involved the class struggle over a policy of state austerity. In the following chapter attention focuses on the development of the British state during the 1970's. There then follows an analysis of the monetarist attempt to reconstruct social relations on the basis of the market in the 1980's (chapter V).

Notes

1: Fed stands for the US Federal Reserve.

2: The following quote by Marx (1966, p. 515) may clarify the argument. "The demand for loanable capital is demand for means of payment and nothing else; it is by no means demand for money as a means of purchase." This "demand for means of payment is a mere demand for convertibility into money, so far as merchants and producers have good securities to offer; it is a demand for money-capital whenever there is no collateral, so that an advance of means of payment gives them not only the form of money but also the equivalent they lack, whatever its form, with which to make payment".

3: Loanable capital can accumulate independently from actual accumulation. With the following quote by Marx (1966, p. 495), I hope to clarify this argument. "We have seen, on the other hand, that an accumulation of loan capital can take place without any actual accumulation, i.e. by mere technical means such as an expansion and concentration of the banking system; and a saving in the circulation reserve, or in the reserve fund of private means of payment, which are then always transformed into loan capital for a short time. Although this loan capital, which for this reason, is also called floating capital, always retains the form of loan capital only for short periods of time (...), there is a continual ebb and flow of it. If one draws some away, another adds to it. The mass of loanable money capital thus grows quite independently of the actual accumulation (...)". Increased interbank exchange and electronic banking in the 1980's needs to be seen as an important lever of the accumulation of loanable capital independent from actual accumulation.

4: Forms of 'flexibilisation' unmentioned here are 'flexible specialisation' and 'flexible production'. These concepts are regarded in the debate on post-Fordism as structural elements of a new system of social regulation. For a critical assessment on 'flexibility' in this wider sense: Murray (1983,1987);A. Pollert (1988);Sayer (1988);Tomaney (1990); Oliver/Wilkinson (1988).

5: These qualifications of the imposition of work at Nissan were presented in the discussion of the paper by Garrahan/Steward (1989).

6: See also Winterton (1985) and Bohen/Wroughton (1988) on the coal industry (following the defeat of the miners in 1985; and see Brumlop/Jürgens (1986); Rollier (1986) on the car industry in West-Germay and Italy; and Scherrer (1989) on the steel and car industry in the US.

7: It is almost impossible to gather empirical data on the effects of sabotage, sloppiness and absenteeism on production. However, "the overall effect of the more usual run of strikes is probably considerably less than absenteeism" (Bassett 1986, p. 10-11). As M. Phelps, board member for personnel of British Shipbuilders, says: "Since 1977 we've actually lost about half a per cent of working hours in industrial action - and of that about one-tenth I suppose would have been official". However, "if we could reduce absenteeism by one per cent, we would be much better served" (quoted in Bassett 1986, p. 11). According to union figures, absenteeism at Vauxhall "was running at up to 22% in 1985 at its Ellesmere Port and Luton plant" (ibid.).

8: Hyman's (1989a, p. 30) reference to Bendix (Work and Authority in Industry (New York) (1956, p. 204) is telling: "Bendix cites the 'case of inmates in Nazi concentration camps, who were employed in factories during the war and who sabotaged the production effort by consistently asking for detailed instructions on what to do next'".

9: Management's intention to 'get a real breakthrough in attitudes' was cited by Bob Ramsey, former director of Industrial Relations at Ford UK, quoted in Woods (1987, p. 22).

CHAPTER IV

THE POLITICS OF THE SOCIAL CONTRACT

This chapter analyses the development of the state between 1974 and 1979. The chapter is divided into three sections. The first section looks at the politics of the social contract, in the context of a government of limited liquidity. There then follows a section on the discrediting of the social contract in the late 1970's. Finally, the conclusion draws together the main aspects of the presentation and prepares the ground for the analysis of the development of the state during the 1980's. The central argument presented in this chapter is that the social contract was of vital importance for arresting the social conflict of the late 1960's and early 1970's, and for subordinating the working class to a government of limited liquidity. The demobilisation of class conflict during the social contract prepared the ground for the development of the state during the 1980's. Indeed, as will be argued in the concluding section, most of the changes which contributed to the recomposition of the role of the state vis-á-vis capital and the working class during the 1980's can be found, in embryonic form, during the 1970's.

I Crisis of Liquidity and the Politics of the Social Contract

The deregulation of the money power of capital made apparent the crisis of global demand management. This crisis involved a crisis of the Keynesian state whose substance depended on an expansion of liquidity. By the late 1960's, the reassertion of the limits of accumulation in the form of speculative pressure by private capital on deficit demand management coincided with a shift in emphasis of political domination from mere piecemeal tinkering to the imposition of law and order, domestically and internationally (see Agnoli 1968;Negri 1988b;Panitch 1976). The break-down of Bretton Woods asserted the global dimension of capitalist crisis and overaccumulation in the form of the money power of capital. The global character of capitalist accumulation involves that "the management of the domestic currency could not ignore the fundamental importance of maintaining the stability of the international value of the currency in order to permit the integration of the domestic accumulation of capital to the accumulation of capital on a world scale" (Clarke 1988a, p. 56). In the UK, the link between the world money market and domestic organisation of reproduction had asserted itself, during the 1960's, in the form of a sharp currency crisis, precipitated by Wilson's dash for growth. When the decline of the British economy expressed itself in balance of payment problems, speculation against the pound by private capital through the then developing Eurodollar markets led finally to the devaluation of the pound in 1967. During the 1960's, Labour in government had sought to tighten the institutionalisation of the balance of class forces by legal intervention into industrial relations and incomes policies. None of these measures proved to be successful as the predetermined margins for wage rises were constantly undermined by wild-cat strikes and shop-floor bargaining and as social unrest undermined attempts to contain industrial relations through legal intervention ('In Place of Strife'). On the other hand, pressure on the pound undermined a domestically engineered sustaining of accumulation, which was in some way incompatible with the global limits of accumulation, through monetary expansionism.

The problem for the state was how to impose a government of limited liquidity in a socially controlled way, i.e. how to restore international confidence of financial markets in the domestic management of money without provoking costly and damaging strikes. The global money power of capital entailed growing pressure to deflate, i.e. to cut back on credit through wage restraint, through cuts in public spending and through intensified exploitation so as to rectify balance of payment problems. The working of these contradictory pressures brought down the Heath government as its initial attempt to use deflationary measures and law and order control failed in the face of the social conflict of the early 1970's. The class conflict forced political authorities "to hold back from encouraging aggressive employers for fear of the destabilising political impact of such class confrontation" (Clarke 1988a, p. 138). The shift from Keynesian deficit demand management to deflationary attack, i.e. the imposition of money in command, could be accomplished only with the support of the trade union movement and not against it. The involvement of the trade union movement in the normalisation of the class conflict depended on full-employment growth and general welfare guarantees. Cooperation with the trade unions involved an expansive integration of labour into the concept of capital, i.e. the deficit financing of the containment of labour's productive and disruptive power.

The type of labour upsurge represented by the Hot Autumn of 1969 in Italy (see CSE 1979) was delayed in Britain into the early 1970's (CSE 1980). From 1972 onwards, the Heath government responded to the class conflict by recommitting itself to monetary expansionism, seeking to arrest class conflict by transforming protest into demand. The indiscriminate increase in direct and indirect wages (Burden/ Campbell 1985) needs to be seen as an ultimately desperate attempt to block the class struggle. The pacifying direction of these concessions consolidated the working class in the form of the wage relation. That is, the 'success' of the working class blocked the class struggle by channelling it into demands for higher living standards that, at the same time, were provided in a way which reimposed bourgeois forms of social relations (wage relation and working class as consumer). The 'success' of the working class in forcing the state to pursue inflationary policies, was a 'defeat' in form; involving as it did inflationary devaluation of wages and the channelling of the political strength of the working class in ways that denied the existence of class as class. However, the consolidation of the working class in terms of the wage relation politicised the wage owing to the political guarantee of income and prosperity. Heath's U-turn in 1972 to monetary expansionism found an institutional form in the social contract under Labour. The social contract made explicit in institutional form the containment of labour through demand and social reform, i.e. the normalisation of the class conflict on the basis of increasing peacekeeping costs. These peacekeeping costs acknowledged the political strength of labour in and against capital. The attempt to contain labour on the basis of expansionary policies implied low interest rates policies, deficit financing of demand so as to boost employment, wages and investment through the absorption of excess capacity, and the underwriting of profits by deficit demand management. The attempt to arrest the class conflict through deficit spending precipitated balance of payment difficulties, increasing public indebtedness and global pressure on currency. The reimposition of the wage relation on the basis of an inflationary supply of money needs to be seen as having contributed to the deep recession between 1974 and 1975. Between 1972 and 1975, the attempt to transform protest into demand implied increasing public borrowing so as to acquire the means of payments which the containment of labour on the basis of deficit financing required. The expansionary response to the class conflict put pressure on the pound and contributed to payment imbalances and PSBR problems, the impact of which hardened by the mid 1970's. The expansive imposition of the wage relation implied an accumulation of public debt, coinciding with culminating inflationary pressure. The UK's contribution to a growing balance of trade deficit of the capitalist world (see Guttmann 1976) was hardened by the fact that Britain's main competitors started much earlier to impose deflationary policies.

There is, of course, a distinction to be made between Heath's more conciliatory second phase, during which tension between the state and the working class mounted, leading to the miners' strike in 1974, and the first period of the Labour government between 1974 and 1977. While the Heath government failed to contain the social conflict, Labour succeeded in establishing social passivity. Upon the demobilising peacekeeping objective of monetary expansionism, Labour superimposed a reassertion of political domination on the basis of corporatist strategies of class collaboration. The corporatist reconstruction of political domination recognised in institutional form the political strength of labour through the incorporation of the trade unions into the 'corridors of power' (Coates/Topham 1986), permitting a normalisation of the class conflict on the basis of the guarantee of social reform. Because of labour's political strength, the consolidation of state power could not proceed against the working class, but only in and through forms of class collaboration. Retrospectively, the political strength of the working class made it impossible for the state to confine labour within the limits of accumulation as was the case during the 1960's (statutory incomes policies; coercive imposition of law and order). Corporatist forms of integration had to be legitimated and imposed differently, permitting a closer relationship between Labour and the trade union leadership (tighter consultation, closer integration into policy formation and implementation). While the social conflict in the late 1960's undermined the coercion of trade unions into corporative forms of negotiation of order and disrupted the close relation between Labour and the trade unions (see Panitch 1976), the social conflict under Heath not only renewed the close relationship between the trade union leadership and Labour, but, also, swept Labour back to office in 1974. During the Heath government Labour and trade unions negotiated and agreed on policy programmes to be put into effect with the re-election of Labour (1). The policy documents of the Liaison Committee provided the basis of Labour's electoral programmes in the 1974 elections. The quid pro quo for trade union collaboration was spelled out in the policy agreements of the Liaison Committee. These agreements committed Labour to a programme of extensive public ownership and price control, massive redistribution policies, and non-intervention in collective bargaining by statutory means. Although Labour pressed hard to achieve commitment from trade unions to income policies, the policy programmes remained silent on this issue. This silence expressed, in the face of the failure to impose income restraint in the 1960's, the political strength of the working class. Agreement was reached that income policies should be reached by consultation and implemented voluntarily by trade unions (see Coates/Topham 1986;Panitch 1986). Income policies were thus to be replaced by the social contract; the trade unions would practice wage restraint in exchange for a political commitment to full-employment growth and redistribution of wealth. In the field of industrial relations; the Liaison Committee declared that the Industrial Relations Act of 1971 was to be repealed and to be replaced by legislation extending trade union protection from legal liabilities in industrial disputes. The policy documents called further for the constitution of an independent conciliation and arbitration service which was subsequently embodied in ACAS. Additionally, attention was given to manpower planning and industrial training, embodied in the Manpower Service Commission (MSC; founded, under Heath, in 1973). Finally, the agreements committed Labour to promote industrial democracy through a legislative requirement for the disclosure of company information and through reform of Company Acts (see Coates/Topham 1986). The institutional basis of all these "policies would be tripartite and change would be through agreement, not compulsion. Above all, the 'first task' of a Labour government would be to agree policy with the TUC" (Coates/Topham 1986, p. 55). The social contract was a measure of the balance of class forces that coerced the state to attempt a tighter integration of the organised labour movement, an integration which was "without precedent" (Coates/Topham 1986, p. 55;see also Panitch 1986, p. 103). The social contract made explicit in institutional form the consolidation of the working class in terms of a general expectation of rising wages and living standards. The tight incorporation of the organised labour movement into formulating policies manifested the strength of the working class and a defeat in form: the incorporation of the labour movement into the institutional form of the state.

The incorporation of the organised labour movement "involves not an attempt to break the unions as organizations and replace them by state bodies, as in fascism, but an attempt to require and back by state sanctions union discipline over the rank and file" (Panitch 1986, p. 175). The resuscitation of corporatist forms of class collaboration reinforced the consolidation of the working class in the form of the wage relation and provided a means of diffusing the state to the shop-floor through the coordinative effort of the trade unions to implement policy objectives. The reassertion of political domination figured as a policy of 'national consensus' to which the working class needed to subordinate its aspirations in the interest of national salvation. The corporatist reconstruction of political domination rested on the willingness and capacity of the trade union leadership to guarantee social passivity and to impose the political objectives reached in consultation with government upon the trade union membership. During the social contract, the trade union movement pledged its organisational strength to supporting Labour in government, eager not to jeopardise its achieved position of influence in the existing negotiation of order. By implication, the attempt to stabilise its achieved position entailed the domestication of discontent into peaceful forms of negotiation and arbitration as provided by the social contact. Such an institutionalisation of the class conflict put the trade unions into a policing role, observing the well-ordered conduct of industrial relations and preventing social discontent from taking the form of strike action. In the event, the trade unions took on "the role of policing their own members" (Bassett 1986, p. 7). The stability of the social contract depended on the normalisation of the class conflict through the coordinated effort of Labour and the trade union leadership to ensure social passivity. While the left within the Labour Party and the trade union movement sought to achieve real reforms in favour of the working class, they were put into a position of defending the power of the state to manage social peace on the basis of non-conflictual, i.e. domesticated, forms of working class action.

How can one understand the readiness of trade union leaders to act as managers of discontent who seek to make regular what might otherwise be disruptive? The readiness of trade unions to participate in formulating policies needs to be seen in the context of the (constant) social conflict over the recognition of trade unions. The conflict over trade union recognition entails an accommodation of trade union objectives to 'institutional needs', subaltern to management and the state and confined within the formal exchange relation between labour and capital (Hyman 1985a). The accommodation to institutional needs responds to pressures to safeguard achieved positions of influence and recognition. The recognition of trade unions by management and the state implies the setting up of formal links of interest representation and arbitration between social partners. These formal links, in turn, do not exist as an accomplished fact but, rather, in and through a constant struggle over the ability of the trade unions to reach acceptable settlements, without jeopardising existing positions of influence. "If the objectives which are in practice pursued by trade unions are confined to the negotiation of limited improvements within the framework of capitalist work relations, this represents a restrictive policy which is in turn the outcome of a specific set of power relationships both inside and outside the unions" (ibid., p. 53-2). Trade unions operate in a dialectical continuum, the extreme poles of which are the articulation of their members' discontent and the recognition of formalised bargaining procedures with management and the state. The contradictory unity of these at times conflicting tasks, is, in turn, displaced into a constant conflict within the trade union movement: the conflict over the 'power for and power over' (ibid.) its members. This constant conflict is constituted by, and is a process of, the class conflict as the trade union leadership is so constructed as to confine the aspiration of its members within the limits of capital without cutting their ties with their members and without jeopardising achieved positions within the existing negotiation of order. The attempt by unions to maintain good working relations with management and the state and, as such, to safeguard their organisational existence against adverse moves of management and the state, implies the stabilisation of bargaining procedures, rather than the coordination of struggle against capitalist domination (ibid.). Hence, the objective of making certain what otherwise might be disruptive. "In this way, union control and workers' control may face in opposite directions, and the element of power over the members inherent in union organization may be turned against them" (ibid., p. 56). Trade unions are thus torn between maintaining and improving their institutional recognition, and articulating discontent in a way which is restricted to the terms of the wage relation. The possible direction this contradiction might take depends on the actual social conflict. Since trade unions can not cut their ties with their membership, but aim at using those ties to legitimate their own existence subaltern to capital, and to elaborate control over their members (see Panitch 1986), the possibility of repression against trade unions can never be ignored because of the at times impossible task of compromising the representation of their members with the limits of capitalist accumulation. The class collaboration with the trade unions needs thus to be seen as manifesting the political strength of the working class that coerced the state to permit political influence to the trade union movement. At the same time, this manifestation of strength was a defeat in form: the 'responsibilisation' of the working class to national interest through the role played by the trade unions within the Keynesian composition of political domination (2).

When Labour took office in 1974, it was faced with a major economic recession, unstable international money markets, falling rates of investment, ever increasing inflationary pressure, deteriorating balance of payments and a large PSBR. In the UK, inflation rose from 2.5% in 1967 to over 24.5% in 1975 (compared with 1.4% to 6.0% in Germany; 4% to 11.8% in Japan and 2.8% to 9.1% in the US in the respective years (see OECD *Economic Outlook*, July 1979). By 1975, unemployment had risen to 1 million for the first time after the second world war. By 1977, unemployment reached 1.6 million. Further, high inflation outstripped interest rates (Hübner 1988, p. 61), making it harder to divert the flow of money into the UK so as to finance balance of payment and budget deficits. While the deficit financing of employment sustained especially weaker capitals, high rates of inflation "often outstripped the profit rate altogether" (Gamble/Walton 1976, p. 161). The balance of payments continued to deteriorate, increasing the UK's contribution to the balance of trade problems of the capitalist world. The balance of payments deficits increased from £800 million in 1964 to £4000 million in 1974 (Panitch 1986, p. 103).

Further deficit financing of reproduction and rising costs for social welfare expenditure contributed to an increase in the Public Sector Borrowing Requirement (PSBR). The PSBR increased from £6.3 in 1974 to £10.5 billion in 1975. In 1976 the PSBR had been reduced to £9.5 billion (Gough 1985, p. 130). The expansionary response to the crisis under Heath and Labour in the early 1970's contained and demobilised the class struggle at the same time as the integration of the UK into the world market came under severe pressure. In the face of inadequate reserves, the pound came under severe pressure; there was a "large outflow of short-term capital from Britain" (Evans 1985, p. 116). In the face of decreasing competitiveness, declining investment, stagnant output and rising inflation, international pressure on the pound precipitated a financial crisis of the British state, threatening to turn the expansive response to the class conflict into an accumulation of debt.

By 1975, Labour responded to growing financial difficulties by drawing means of payment from the IMF. The IMF loan was associated with severe restrictions, calling for a rigid anti-inflationary policy. Such a policy involved wage restraint, cuts in the PSBR and the watering down of full-employment growth guarantees (3). However, the restrictions associated with the IMF loan did not involve a blackmail by 'external forces' on national policies but expressed, rather, the global limits of domestic attempts to contain labour. The intervention of the IMF, in turn, provided legitimacy for deflationary policies with which the Labour government sought to confine the working class within the limits of accumulation. The restrictions associated with the loan from the IMF marked a resurgence of well established deflationary policies which had been watered down in the early 1970's because of the danger of uncontrolled class confrontation. The severity of the financial crisis threatened the stability of the pound. The pound was under increasing pressure and was falling heavily by 1976 as money holders were losing confidence in the prospects of accumulation in the UK. All this implied that the reassertion of control over labour through material concessions and full-employment growth policies could no longer be maintained without compromising the ability of government to guarantee the convertibility of debt into means of payments, to manage the international role of the pound and, as such, to safeguard the integration of the British national economy on the world market. In order to stem a collapse of the exchange rates the British economy had to earn foreign currency through improved competitiveness without thereby increasing the rate of inflation. Such an objective implied a restrictive control over the circulation of money and the reimposition of the right to manage in production so as to improve productivity and restore confidence in the pound.

The way in which the state had blocked the class struggle of the early 1970's entailed the political problem of how to turn this pacification into a deflationary attack on the working class, without thereby provoking costly and damaging strikes. The working of the social contract depended on the ability of the state to demobilise the conflict over the imposition of money in command within the framework of the existing hierarchical composition of order, i.e. the corporatist reconstruction of political domination. The stability of the social contract depended on the containment of labour's disruptive power through the implementation of deflationary policies (i.e. money in command) on the basis of class collaboration.

The corporatist reconstruction of political domination expressed in institutional form the strength of the working class, permitting a demobilisation of the class struggle on the basis of an institutional advance of the trade union leadership seeking to ensure real gains for the working class. Upon the demobilisation of the class conflict on the basis of monetary expansionism, the corporatist reconstruction of political domination imposed the ideology of trade union influence over government. The integration of the political and industrial wing of the reformist left in Britain in the form of the social contract expressed, in institutional form, the aspirations of the working class in the form of rising living standards and secure employment. The corporatist reconstruction of political domination was based upon income and full-employment guarantees which involved the channelling of the social conflict of the 1970's into demand; the Keynesian attempt to transform protest into demand. These guarantees contributed to the demobilisation of the class conflict which had swept Labour back to office. The elections of 1974 coincided with an exhaustion of industrial militancy. This exhaustion needs to be seen in the context of the Labour government implementing those policies (i.e. full employment growth and income guarantees) which the Labour left and the trade unions had demanded during Labour's time in opposition. However, the practice of expansionary policies contradicted its results. The deep recession between 1974 and 1975 increased unemployment to an unprecedented scale of 1 million after the second World War. Workers experienced their militancy as leading to unemployment, growing inflationary pressure on real wages and bankruptcy of producers. The industrial militancy of the 1970's that had succeeded in forcing a shift in emphasis from deflationary to expansionary policies in 1972, became increasingly subdued by the results of those policies, which were designed to achieve real gains for the working class. Expansionary policies guaranteed no longer full-employment and income but, rather, fostered the decline of international competitiveness, resulting in mass unemployment and a growing gap between nominal and real wages. The recognition of the aspirations of the working class in the form of full-employment policies and social redistribution of wealth in favour of labour contradicted the aspiration of the working class, permitting, in the face of rising unemployment, an exhaustion of industrial militancy. The global crisis of demand management asserted the limits of an expansionary response to labour's productive and disruptive power. The exhaustion of the Keynesian attempt to contain labour on the basis of social reform involved the exhaustion of the way in which the trade unions had sought to channel protest into demand. Expansionary full employment growth policies that were favoured by the Labour left came under pressure as regards their legitimation at a time when growing unemployment and economic insecurity seemingly asserted the futility of industrial militancy. The influence of the left within the Labour Party, and its constituents in the trade unions, started to deteriorate as expansionary policies coincided with rising unemployment, growing inflationary pressure and a further deterioration of the balance of payments. The loss of influence was reinforced through the resistance to entry into the EEC by the Labour left, which saw Benn sharing the platform with E. Powell. On the other hand, those in the Labour administration pressing for sound monetary policies won credibility in the face of major economic and financial problems as well as rising unemployment. The failure of expansionary policies to achieve economic growth and to maintain full-employment proved the impracticability of these policies and the truth of a deflationary response to the crisis. However, the reliance on trade union co-operation for achieving social pacification did not permit a radical enforcement of debt and intensification of work. The attack on the working class had to be achieved with the co-operation of the trade union movement. The stability of such a co-operation involved the provision of real gains for the working class in the form of social reform and employment guarantees in exchange for income restraint and cuts in welfare expenditure. The loss of influence of the Labour left and the exhaustion of expansionary policies in the matter of guaranteeing full-employment and income fostered a shift in emphasis from demand management to controlled stagflation, i.e. selective monetary expansionism favouring those workers upon whose passivity the stability of the social contract rested and discriminating against those on the margins of the organised labour movement.

The attempt to stabilise the corporatist reconstruction of political domination on the basis of controlled stagflation involved the desolidarisation of the working class through social reforms that were specifically structured to integrate the organised labour movement into the existing social order (see later on labour laws). The stability of the social contract depended, also, on the increase of pacification costs that were specifically structured to ensure social passivity. These pacification costs were designed to integrate those workers who had been at the forefront of the industrial militancy of the early 1970's (see later on industrial policy). The stability of the social contract depended on the successful sectionalisation of the working class, permitting social passivity through the disorganisation of class relations on the basis of a selective guarantee of employment. The shift from expansionary policies to controlled stagflation depended on the disorganisation of the class conflict through the corporatist integration of some workers, discriminating against others. The synthesis of political domination with its legitimating discourse of social consensus depended on the integration of those workers upon whom the stability of class collaboration rested.

In the face of the global crisis of deficit demand management, Labour in government saw no alternative but to respond to the assertion of the money power of capital by adopting essentially monetarist policies so as to stem a collapse of the pound, to secure national integration into the world market and to avert financial collapse. The global dimension of the crisis of Keynesianism made it ever more difficult for Labour to resist the use of restrictive monetary policies and to reduce the level of material concessions (cuts in social spending). Labour sought to stimulate investment and to restrain the growth of pay through income policies and increasingly restrictive budget policies. Restrictive income policies were introduced in 1975. The shift to monetarist policies occurred in 1976, the second year of the social contract. Labour came to accept to a considerable extent the use of the growth of money supply as a means of social moderation (Clarke 1987). At the heart of the control of public spending was the use of cash limits. Following severe pound sterling problems in 1976, drastic cuts in the PSBR were announced for 1977/8 and 1978/9. While it would have been difficult for the Labour government not to have accepted monetarist policies (Evans 1985), the shift to restrictive monetary policies mitigated against the spirit of the social contract. The imposition of the international 'terrorism of money' (Marazzi 1976) over the conditions of life manifested the death throes of Keynesianism (Clarke 1987,1988a) as it entailed the abandonment of full employment growth policies for a political commitment to industrial rationalisation within a tight monetary framework. The acceptance of the monetarist assertion of a close relation between the money supply and inflation indicated the submission of state policies to the dictates of the market, i.e. the power of money. This shift in emphasis was of no great importance concerning the control over the global movement of money because of the international dimension of the credit-relations, over which the state had no influence. The importance of these policies lies in the attempt to subordinate the working class to the limits of accumulation through deflationary attack on living standards. Labour added monetary policies to fiscal policies, whose redistributive effect was seen as keeping the money supply within the forecast margins, while, at the same time, stimulating investment and modernisation. By keeping a close check over monetary targets government reaffirmed the subordination of political criteria to the power of money, retaining the confidence of financial markets through the state's ability to impose a government of limited liquidity over the conditions of life. In order to avoid damaging and costly strikes, the deflationary attack had to be sanctioned by the trade unions. In the event, the trade unions did accept deflationary measures as a sacrifice the labour movement had to accept for the sake of national salvation. How can one understand the trade unions' acceptance of deflationary policies?

Industrial unrest in the late 1960's brought about a massive shift to the left in the trade union leadership (Minkin 1979). However, this shift did not coincide with an overturn of the traditional boundaries between the political and industrial wings of the organised labour movement (Minkin 1974). Despite a general advance of the left within the trade union movement, Labour's position as the party of national interest was not challenged. While the trade union leadership had no political concept of their own (Minkin 1979) of how to react to the crisis of accumulation, the social contract provided the trade unions with a channel to influence government once Labour was back in office. Once Labour was swept back to office in the wake of the industrial militancy of the early 1970's, the trade union leadership, while insisting on full-employment growth policies and social reforms, saw no alternative but to support Labour's deflationary policies because the alternative to Labour was seen as much bleaker, as experienced under the Heath government. Confronted with economic decline, high rates of inflation and a possible financial collapse, the trade unions came to accept Labour's remedy for the management of economic difficulties. The TUC and most of the trade unions became increasingly aware of the dangers of inflation and the futility of political influence in economic policy, including the systematic development of full-employment growth policies (see Minkin 1979). Consequently, historical realism prohibited trade unions from rallying their members against deflationary attack, as the result was seen as aggravating economic difficulties even further, jeopardising the prospect of industrial democracy and social reform and threatening the institutional recognition and advances of the organised labour movement itself. At the same time, the TUC claimed to use its influence to good effect, ensuring a socially fair distribution of the social costs of deflation. Although the trade unions believed that they were conned by Labour (Minkin 1978;Panitch 1986), Labour was, at the same time, seen as a victim of external forces that prevented Labour from implementing policies in the spirit of the social contract (ibids.). At the same time, the formal procedure of the social contract remained intact. Trade unions regarded public dissent against deflationary measures and industrial militancy as playing into the hands of the Conservatives, if not leading ultimately to a new Conservative government (Minkin 1978). In order to maintain the unity of the labour movement and to keep achieved positions and influence in the hierarchical composition of political domination, the organised trade union movement took over the role of stabilising the existing composition of political domination. This policy of conservation implied trade union participation in the demobilisation and demoralisation of social conflict. While David Basnett (TUC president in 1977) saw a defeat of Labour as entailing a danger for the labour movement similar to the aftermath of the General Strike in 1926, the trade unions saw no alternative but to demobilise discontent so as to make certain that social unrest was minimal. By aiming at channelling unrest into institutional procedures of negotiation and arbitration, a socially controlled curbing of inflation was seen as recreating conditions for renewed prosperity, especially with balance of payments deficits rectified and North Sea Oil profits allowing a renewal of full-employment growth policies (Minkin 1978, p. 483).

Further, the incorporation of the trade unions reinforced the division within the working class as solidarity with trade union policies implied the acceptance, however reluctant, of political domination, while class policies, however sectional and confined to the wage relation, implied an attack on the organised labour movement. The 'responsibilisation' of the working class dwelled thus on principles of solidarity, subduing and extirpating working class energy. Loyalty to trade unions and Labour on the one hand, and discontent and organisation of resistance on the other, undermined a collective response to deflationary policies (see Fryer 1979 on the disorganisation of the public sector dispute in 1977). As trade unions participated in formulating government polices, the social contract fuelled the ideology of trade union influence over govern- ment, putting the trade unions into the limelight of public attention. Such a position manifested a permanent test-case on the trustworthiness of trade union statesmanship. The permanent threat of a Conservative denunciation of excessive trade union power over government, as it materialised in ever more pejorative terms with the advance of the second deep recession at the end of the 1970's, hardened the coordinative effort of the TUC to secure the objective of social peace to secure the restoration of financial stability and economic recovery. The role of the trade unions depended on their ability to control social peace. The real possibility of social unrest implied a threat to trade union class collaboration from the Conservative Party, the working class and employers and a weakened position in the political negotiation of order. Such a threat entailed the undermining of the hierarchical composition of domination that constituted the social contract. Labour in government and the TUC clung together on the road to the administration of cuts as the failure of either to control law and order implied the defeat for them both. Consequently, militant sections of the working class were treated as traitors serving the aim of the Conservatives (see Minkin 1978). Social unrest was denounced as dangerously out of touch with socialist policies and principles of solidarity, permitting disciplinary attempts to marginalise discontent and to denounce the culprits (Fryer 1979). The constitution of the social contract took away the breath of life from the shop floor as the trade unions sought to demobilise social conflict in the name of socialist class collaboration. The important factor for political stability, however, was the exhaustion of shop floor unrest. Workers experienced their militancy as resulting in unemployment, inflationary erosion of wages (Panitch 1986) and a demoralising effort by trade unions. The exhaustion of unrest was exploited by Labour, pointing to the way in which the Heath government had by-passed trade unions, had attacked wages and had sought to restore law and order. In contrast to Heath's initial policy of confrontation, Labour proclaimed itself as being the party of social consensus, executing a 'socially fair' and balanced contribution of the working class towards the improvement of national values. As such, deflationary policies were defended as being in the long-term interest of working people, whose, socially balanced, sacrifices would generate real results in terms of future prosperity. While the IMF was held to be responsible for the severity of the deflationary measures proposed, Labour proclaimed itself as victim of external powers. In the face of the growing problems of containing, on the basis of expansionary policies, labour's productive and disruptive power within the global limits of accumulation, the trade union leadership and Labour came to accept the futility of full employment growth policies and the realism of a policy of controlled stagnation. The TUC accepted the need to curb inflation (i.e. the imposition of money in command through deflationary attack) and to increase productivity (i.e. intensification of work and recomposition of work practices). The attempt by the trade union leadership to stabilise the corporatist reconstruction of political domination put them into the position of managers of austerity, executing towards the working class the imperatives of capitalist accumulation. In the event, "the 'social contract' of 1974 has become the means by which government and the unions impose the deflationary regime, exploiting the monetarist blackmail to the full while externalizing responsibility for the crisis to shadowy and ill-defined 'international financial operations'" (Marazzi 1976, p. 109). However, the recognition of the political strength of labour in the institutional form of class collaboration implied pacification costs. The imposition of money in command rested on the ability of the trade unions to secure social discipline, i.e. to pacify resistance to deflationary attack. Such normalisation of the class conflict rested, in turn, on the integration of those sections of the working class which are at the core of trade union representation.

The shift in emphasis from demand management to controlled stagnation and financial stability involved the abandoning of full-employment growth guarantees in favour of a selective maintenance of jobs. The shift to a policy of controlled stagnation involved, fundamentally, the adoption of "essentially monetary policies of cutting expenditure and pursuing a restrictive monetary policy in order to bring down inflation and restore financial stability, even at the cost of rising inflation" (Clarke 1987, p. 414). The policy objective was to contain labour through a policy of controlled stagnation; to initiate economic stability and financial solidity by stimulating investment without imposing heavy costs in terms of unemployment and recession. This policy not only consolidated the demobilisation of industrial militancy through certain employment guarantees and social reforms; it also reinforced the division within the working class as the selective expansion of money favoured those sections of the working class represented by the main body of the trade unions (industrial unions) and discriminated against those who were not. The stability of the imposition of money in command within the framework of class collaboration entailed the disorganisation of the working class on the basis of the 'corporatist collective'. The decomposition of class relations on the basis of the class collaboration involved an expansive use of money, i.e. pacification costs, in exchange for industrial peace and wage restraint. The quid pro quo for the monetary decomposition of class relations was the adherence to a policy of social reform, especially labour laws, nationalisation of hard-pressed manufacturers and subsidies to 'lame ducks'. The shift from demand management to monetary control involved a tacit trade off between Labour and the trade unions favouring industrial rationalisation and modernisation in the framework of 'realistic' monetary policies, i.e. financial stability. Although the "Labour government gradually abandoned its commitment to maintaining full-employment growth by means of fiscal expansion in favour of policies of monetary constraint to maintain financial stability" (Clarke 1987, p. 405), the containment of the class struggle on the basis of deflationary policies involved pacification costs in the form of subsidies to industry and nationalisation so as to disorganise possible resistance by selectively transforming protest into employment guarantees. Deflationary policies did not attack the working class head on. Rather, the social contract intensified the division within the working class. Labour introduced social reforms, put financial pressure on the welfare state and alleviated pressure on profitability through tax concessions to, and a relaxation of price controls on, capital. At the same time, Labour maintained jobs through expansionary policies favouring hard-pressed industries (car, steel and coal), containing labour's disruptive power by limiting the impact of the recession on employment through selective monetary expansion. Selective monetary expansion was specifically structured to integrate those workers upon whom the stability of class collaboration rested and who had been at the forefront of the unprecedented unrest in the early 1970's. The stability of monetarist policies in a Keynesian framework depended on the capacity of the state not to provoke those workers upon whose passivity the class collaboration with the trade unions rested. The decomposition of class relations on the basis of the corporatist collective rested on the weak, credit-sustained, recovery of accumulation during the 1970's. Sustained accumulation provided a basis for the synthesis of domination and its legitimising discourse of social consensus as it made possible a reinforcement of the division within the working class, permitting Labour in government and the TUC to secure political stability.

The commitment to full-employment growth was unveiled in the 'industrial strategy' of the social contract. The agreement on industrial policy brought together three interrelated elements: planning of industrial modernisation through the existing NECD together with new planning agreements, financial assistance and direct intervention through the new National Enterprise Board (hereafter: NEB). Sector working parties were set up to prepare modernisation schemes for industrial sectors. These quangos were organised in partnership between government, management, and the trade unions (England/Weeks 1981). Mechanisms for the implementation of the schemes were not introduced (Burden/Campbell 1985). The planning agreements reached the statute book through the 1975 Industry Act. Whereas the original draft version involved means of compelling companies to enter into planning agreements with the Department of Industry, involving trade unions in the negotiation of restructuring at all stages and the provision of financial aid contingent on agreement, the 1975 Act determined that agreements were to be voluntary, and for the most part the discussion leading up to an agreement would be between the Department of Industry, with little or no involvement of the trade unions. The contingency conditions for financial aid disappeared (ibid.).

Although the original draft version of industrial planning was watered down, two planning agreements were signed. One involved the NCB and the other the ailing Chrysler Corporation UK (see Burden/Campbell 1985). Because of the crisis in the coal industry, financial aid to the NCB needs to be seen, fundamentally, as a means adopted by government of safeguarding social peace by reinforcing the division within the working class through a selective monetary expansion. The selective use of money as a means of underwriting the maintenance of jobs manifested a form of monetary decomposition of the class relations through the 'privatisation' of a distinct workers interest. By this I understand the use of money as a means of undermining possible resistance to deflationary attack by integrating some sections of the working class through the guarantee of employment, discriminating against other sections and, thereby, undermining concerted resistance through a monetary disintegration of class. Labour's selective industrial policy, which indicated the willingness of government to limit the impact of the recession as much as possible, involved the privatisation of a distinct workers' interest as such, harnessing the interest in secure employment of a particular section of the working class in contrast to job losses and unemployment in other areas of industry. Such monetary decomposition fostered the sectionalisation of the working class through the integration of a particular section of the working class upon whose passivity the synthesis between the corporatist reconstruction of political domination and deflationary attack rested. The miners were the main force of the social unrest in the early 1970's. The 'Plan of Coal' indicates a use of pacification costs which are designed to prevent possible resistance in opposition to deflationary policies. At the time of a deep crisis in the coal industry, government's support to the miners signalled its willingness to stick to its commitment to full-employment policies, while, in fact, abandoning full employment policies and replacing them with the deficit financing of pacification costs that demobilised and fragmented the resistance to deflationary policies that only a few years ago had brought down the Heath government. The Keynesian attempt to transform protest into demand continued to be used, only now the aim was not to integrate the working class on the basis of an expansive reproduction of capitalist accumulation but, rather, on the basis of controlled stagflation, i.e. the imposition of money in command over those sections of the working class who were not part of the corporatist collective of class collaboration. By meeting the demands for secure employment by one of the then influential sections of the working class, the selective use of monetary expansion expresses the political strength of the working class which government sought to manage and domesticate on the basis of a divisive monetary decomposition of class relations. The pacification of the miners involved a preemptive demobilisation and fragmenting of possible resistance to deflationary policies, to the restructuring of industry, income policies and the imposition of a tight monetary regime over those made redundant.

The NEB suffered a similar fate to the planning agreements system in the sense that its final form was less radical than the initial proposal. The measured success of the NEB was to promote modernisation and rationalisation of production. The bulk of financial aid provided by the NEB was directed to sustaining such 'lame ducks' as, for example, British Leyland (hereafter: BL), while funds involving the new technology sector remained low (Burden/Campbell 1985). The maintenance of lame ducks discriminated against possibly more important sectors of industry as, for example, new technology industries which, globally, were the growth sector during the 1970's. This monetary expansion in a tight monetary framework indicates the political strength of the working class. The selective underwriting of employment involved, fundamentally, pacification costs that were directed mainly towards industries which were hit hard by the crisis and which were troubled by industrial relation problems during the late 1960's and early 1970's. One of the most significant activities of the NEB was the support to BL, which was, in the face of near bankruptcy, nationalised under Labour in 1974. The nationalisation of BL was an important step in demobilising the class struggle and in fragmenting resistance to deflationary policies. In addition to BL, Labour nationalised British Aerospace, British Shipbuilders and British National Oil Corporation.

The car industry played an important role in the British economy in terms of employment, the balance of payments and the network of affiliated industries. The crisis of car producing capital had major implications for the position of the British economy on the world market. In the UK, the class struggle over the productive power of labour in the car industry had led to a government sponsored concentration process in the course of which 60 independent companies were reduced to only one: British Leyland Manufacturing Corporation which changed name to BL in 1968 (4). By 1974, this concentration process allowed BL to command a large share of the domestic market. However, BL's productivity was well below its main competitors (Marsden et.al. 1985). In the course of the international restructuring of accumulation, BL's market share fell constantly during the 1970's (Marsden et.al. 1985;Garrahn 1986;Scarbourgh 1986) (5). The crisis in car production reduced exports of cars in the face of increasing imports. From 1970 to 1985, exports of cars shrank by 2/3, while imports doubled between 1979 and 1983. From 1977 onwards the UK became for the first time since world war II a net importer of cars (Fine/Harris 1985, p. 258) (6). The crisis in car production added considerable pressure on the balance of payment and, as such, contributed to international pressure on the pound. The nationalisation of BL was regarded as a question of 'national interest' because of BL's importance to the supply industry and employment, and, in particular, to the balance of trade. The retreat from the original radicalism in industrial policy to subsequent modest reforms of rationalisation and modernisation made possible "productivity gains for plants remaining at the expense of substantial job losses for those made redundant" (Clarke 1988a, p. 156). Despite nationalisation and deficit financing of lame ducks, selective financial aid to modernisation, the replacing of deficit demand management, and the growing importance of market criteria of management in nationalised industry (e.g. the appointment of Edwardes at BL in 1977) all implied a subordination of political criteria to the 'dictates' of the market (see Panitch 1986). This shift dissociated Keynesian interventionism from full-employment policies. However, within a framework of class collaboration the subordination of political criteria to the limits of the market involved pacification costs. "The attempt to subordinate industrial policy to the constraints of international competition was undermined by the maintenance of a tripartite apparatus of consultation between government, employers and unions that directed industrial subsidies on the basis of political influence" (Clarke 1988a, p. 158). While the Labour government used "greater amounts of public money, and the NEB remained an important interventionist agency", the "criteria by which it acted did not differ significantly from those dominant in private financial agencies" (Coates 1980, p. 98).

The integration costs, which the class collaboration with the trade unions demanded, contributed to persistent inflationary pressure, constant PSBR problems, pressure on the pound and a deterioration of the balance of payments as unproductive plants were sustained by credit-expansion. The attempt to decompose and to demobilise the class struggle through a selective sustaining of employment for those workers who had been at the centre of the industrial militancy in the late 1960's and early 1970's required a monetary expansion designed to contain the social conflict over an ever more drastic imposition of tight money on the conditions of life. Workers in the car industry had been at the forefront of industrial militancy. In the UK, the level of strike activity in car production increased dramatically from 1959 to 1963 and again from 1964 to 1968. Strikes reached their peak between 1969 and 1973, a period in which 1.853.2 thousand working days were lost per year. Between 1974 and 1978, the average number of strikes declined. However, the average working days lost increased marginally compared with the previous phase (Marsden et.al. 1985, p. 121)(7). Despite the importance of those industries which were sustained through nationalisation, the overriding issue of nationalisation was the preemptive pacification of concerted resistance in opposition to rising unemployment, income restraint and cuts in social expenditure. Selected support for particular industries consolidated the corporatist reconstruction of political domination through the selective integration of those workers upon whose reliability the tacit synthesis between, on the one hand, the abandoning of full employment guarantees and the imposition of a tight money regime and, on the other hand, the legitimation of this policy in the form of a discourse of social consensus, rested.

The acceptance of essentially monetarist policies and selective monetary expansion designed to impose the commanding power of money over the conditions of life in a socially controlled way, involved trade union collaboration with income policies, the price the corporate collective was to contribute towards national salvation in exchange for employment guarantees through nationalisation and subsidies. In exchange for government's attempt to harness the productive and disruptive power of labour by demobilising and fragmenting peacekeeping costs, the trade union leadership came to accept income policies from 1975 onwards. In the short term, income policies proved to be largely successful. The trade unions "did accept, for practical purposes, wage restraint from 1975 to 1978" (Panitch 1986, p. 38). Income policies became the centrepiece of the social contract (Clarke 1988a; McDonnell 1978;Panitch 1986). The trade unions responded "with an exercise in voluntary wage restraint unprecedented in modern British history" (Panitch 1986, p. 118;see also p. 103). Between 1975 and 1977, strikes fell to their lowest for well over a decade (ibid. p. 204), at the same time as real wages decreased considerably (ibid. p. 118). "In the summer of 1974 the TUC agreed to a zero real income growth, and the following summer to a £6 pay limit. The effect of the success of these policies reduced workers' real incomes, and this was followed by a TUC-government agreement on a 4.5 per cent ceiling on wage increases plus modest tax cuts for 1976-77, which as estimated by *The Economist*, was designed to produce a 2.75 per cent reduction in real wages. Not surprisingly, *The Economist* also crowed that 'if the pay deal sticks, there is no escaping the conclusion that companies are in for a bonanza'" (ibid. p. 103-4). During the social contract, the TUC and government were able to introduce and safeguard the most sustained and dramatic reductions of real wages in the post-war period (Clarke 1987;Panitch 1986). However, in the face of an unprecedented rise in unemployment to 1.6 million in August 1977, the British national economy did not show signs of recovery. If anything, the situation looked likely to worsen. While the UK contributed considerably to a growing collective trade deficit of the capitalist world, industrial production was, by 1977, "barely above 1970 levels, industrial investment was down to 80 per cent of 1974 levels" (Gough 1985, p. 132). In the face of high rates of inflation, the imposition of income restraint meant that "incomes remained stagnant for four years and for the average wage-earner were no higher in 1977 than they were in 1970" (ibid.). In response to wage restraint and growing pressure by management seeking to implement new labour saving machinery and attempting to recompose work practices, the coordinated effort by the trade unions and government showed signs of exhaustion, threatening to undermine the attempt to contain the class struggle through selective monetary expansion. The wage dispute at BL in 1977, the failure of the trade unions at BL to contain their members by calling a prompt return to work and the vote of the TGWU to return to free collective bargaining in 1977, indicated the cracks in the hierarchal composition of the social contract. "Once the TGWU had made that decision, the Labour Government was living on borrowed time" (Bassett 1986, p. 7). The growing tension at the work was most visibly expressed at the refusal to go back to work at BL in 1977. "Scanlon's [leader of the Engineering Union] inability in March 1977 to secure a prompt return to work on the part of his members at British Leyland, who were striking against the continuation of the wage restraint policy, indeed the hostility with which his appeal to them was greeted ('go home, bum')" (Panitch 1986, p. 106) indicates the growing isolation of the trade union leadership from the rank-and-file.

By 1977, growing unrest at work threatened to undermine the containment of the disruptive power of labour at the shop-floor on the basis of social reform, i.e. the instantiation of certain legal rights and the formalisation of industrial relations. For the trade union leadership, the labour legislation of the 1970's constituted a "quid pro quo for wage restraint and resuscitated corporative political structures" (Panitch 1986, p. 202). Labour and the trade unions agreed on repealing the Industrial Relations Act of 1971. Wilson's opposition towards this Act was mainly motivated by the social unrest it provoked. Wilson saw the Act as one that "fostered revolutionary tendencies in the working class, that it was a militant charter, that it heralded industrial relations as part of a wider political conflict" (ibid., p. 117-8). At the same time, the TUC raised new demands for a positive legislation, indicating a new willingness to use the law for protective purposes (health and safety;unfair dismissal), and for advancing industrial democracy. Rather than run the risk of endangering social peace through wild-cat strikes, the trade unions themselves raised the demand to "integrate the lower levels of the movement-right down to the shop floor-more effectively" (ibid., p. 203). Thus, the Act was not simply repealed as a range of legal reforms entered the statute book (Trade Union and Labour Relations Act and the Health and Safety at Work Act in 1974, the Employment Protection Act and the Sex Discrimination Act in 1975 the Race Relations Act in 1976 and the Employment Protection Act in 1978) (8). The labour legislation of the 1970's needs to be seen as a responsive action to the social unrest of the late 1960's and early 1970's. Legislative intervention in industrial relations enmeshed the shop floor in the legal structure of the state, permitting a pacification of industrial relations in non-conflictual forms. Legal intervention into, and formalisation of, industrial relations involved the extension of the corporatist reconstruction of political domination right down to the shop-floor, diffusing political control into the shop-floor through trade union attempts to channel discontent into established legal procedures.

Contrary to the 1960's when the state employed coercive measures to integrate the trade unions into a corporative structure (see Panitch 1976), the legislation of the 1970's was based upon existing corporative arrangements. The labour legislation aimed "to foster workers' participation schemes in company boards and work councils (...); to institutionalize local level bargaining and shop steward committees; and to provide a legal framework for qualitative issues (...), unfair dismissals and redundancy" (Panitch 1986, p. 203). Additionally, industrial unrest was to be channelled into corporative forms of arbitration (i.e. ACAS). ACAS was constituted as a tripartite body designed to handle industrial conflict in non-conflictual forms (negotiation, consultation, arbitration). However, decisions reached in ACAS are not legally binding and do not permit the right of legal enforcement (Wedderburn 1978). The laws are not only deficient in central respects "but are only effective when unions are already strong enough to advance their members' interest beyond minimal legal qualities" (Panitch 1986, p. 121). The litigation concerning strike prone issues, such as unfair dismissal, and the introduction of mechanisms of arbitration established means of law and order control that brought industrial relations more directly into the ambit of the state, channelling (possible) discontent into bourgeois forms of social relations (i.e. the legal decomposition of collective action through the individualising of dissent on the basis of the instantiation and the enactment of rights). The labour laws introduced reforms which were specifically structured to integrate the working class into the existing social order, closing, rather than opening up, room for the class struggle. The legal intervention into industrial relations expresses in institutional form labour's disruptive power which the state sought to contain through legal means of control. The coordinated effort of Labour and the trade unions to regain and sustain control over industrial relations amounts to an attempt to make the social environment certain through legal intervention.

For the trade union movement the social contract provided a means to further industrial democracy. The labour legislation of the 1970's included the "the encouragement of trade union recognition and the establishment of the closed shop, the right to disclosure of information necessary for effective collective bargaining, and the right of union representatives to advance consultation and information and to take time off for trade union or public duties" (England/ Weeks 1981, p. 419). Such a development was reinforced by the rapid spread of the closed shops during the 1970's, a development which, despite mass unemployment, contributed to the rise in trade union membership to an all time high during the 1970's. However, this development, rather than reflecting a sudden expansion of trade union consciousness (Hyman 1984,1989b), needs to be seen as a coordinated effort by management and trade unions to integrate the shop floor more directly into the formalised structure of collective bargaining. Closed shops are usually set up because of an "administrative arrangement between company and union officials" rather than as a "result of pressure from below" (Hyman 1984, p. 96). The encouragement of closed shops by employers, the state and trade unions needs to be seen as a constitutive moment of the corporatist form of social pacification and normalisation inasmuch as they allow a tighter control over the shop floor, permitting a domestication of the working class through a tighter control of the labour force by the trade union bureaucracy. The "artificial accretion of paper membership" (ibid., p. 96) manifested the attempt to coerce the shop floor into a form of control specified and constituted in the hierarchical composition of domination of the social contract (negotiation, compromise, implementation). The integration of shop-stewards into the hierarchy of control, as at BL under Ryder (Holloway 1987), was a general feature of industrial relations in the 1970's (see W. Brown et.al. 1982). The social conflict in the late 1960's over incomes policy and intensification of work was largely spontaneous in character, organised and coordinated by the shop-stewards. This challenge 'from below' threatened established forms of negotiation of order between trade unions and management. The by-passing of trade union channels for the articulation of working class demands in the late 1960's/early 1970's found expression in the attempt to regulate industrial relations through legal means ('In Place of Strife'; Industrial Relations Act 1971). These attempts were matched with trade union and management efforts to tighten the grip on the shop-floor through bureaucratisation, formalisation and centralisation of collective bargaining which generated a "powerful impetus for the 'professionalisation' of work place representatives" (Hyman 1979a, p. 58). The general trend since the late 1960's was to consolidate the hierarchy within the shop steward organisation and to tighten internal managerial control through formalised negotiation and disciplinary procedures. This trend was reinforced by the attempt to centralise control within the shop stewards organisation in order to turn the past coordinative effort of resistance by shop-stewards into an exercise of control. "This trend, in turn, coincides with a significant degree of integration between steward hierarchy and official trade union structures" (Hyman 1979a, p. 57;see also Hyman 1979b). The attempt to formalise and professionalise industrial relations entailed the disorganisation of the proximity of the shop stewards to the organisation of industrial militancy as during the wild cat strikes of the late 1960's and early 1970's.

The formalisation of industrial relations sought to use the shop stewards as a means of coordinating the organisation of social peace (see Hyman 1979a,b). The diffusion of the state to the shop-floor was one of the key elements in sustaining the hierarchical composition of order of the social contract. Whereas the Industrial Relations Act was rendered 'impotent' (cf. Panitch 1986), or 'ineffective' (cf. Hyman 1979a) because of resistance and defiance by trade unions and employers alike (9), resistance to the labour law in the 1970's was rather limited. The erosion of shop-steward led industrial unrest was partly conditional upon the exhaustion of shop-floor militancy and partly a result of the integration of shop stewards into decision-taking processes as well as their responsibilisation through trade union policies. The litigation concerning strike prone issues combined with the bureaucratisation, professionalising and incorporation of shop stewards into the machinery of formalised collective bargaining over wages, manning levels, health and safety regulation and consultative rights of shop stewards concerning the restructuring of production, contributed to the decline in shop-floor militancy as the former work place representatives of discontent turned, in the face of mass unemployment, into representatives of normalisation and domestication of conflict. The incorporation of the shop stewards into a codified and formalised machinery of collective bargaining helped to contain the industrial militancy of the previous years (disorganisation of the close relationship between shop floor discontent and shop stewards). In the event, the shop-stewards were torn between representation and bureaucratisation mediating between official trade union organisation and shop floor (Hyman 1979a,b). The consolidation of social relations at the shop-floor sought a form of control in which the objectives of collective bargaining between management, trade unions and the state were delegated to the shop-stewards who attained a position of ensuring the implementation of policy agreements reached (notably incomes policy). This form of negotiation of order diffused, to a large extent, social conflict over incomes policies, recomposition of production and, as will be discussed below, the welfare state. In the face of this development, the contradictory role of shop-stewards, as between effective work-place representation and objectives arising from their integration into the institutional form of negotiation of order, established certain constraints on their activity. In order to keep 'good working relations' with management so as not to provoke counter-attacks by management that could jeopardise existing achievements, and to comply with trade union policy, shop-stewards were put into a self-contradictory position of managers of discontent (Hyman 1989a). The attempt to integrate the shop-floor into the corporatist reconstruction of political domination entailed a distancing of the trade union bureaucracy from its members, as implied by trade union co-operation with management in the running of effective industrial relations.

However, the increase in industrial unrest at the end of the 1970's manifested the failure to contain labour on the basis of formalised industrial relations. The social conflict over the reassertion of the right to manage was highlighted by the conflict at BL. This conflict comprised two different strategies: Ryder's negotiation of consensus and Edwardes's 'macho-management' (see Hyman 1985b,1989b;Holloway 1987). In the face of severe industrial relations problems, Ryder's strategy was progressively undermined, resulting in the appointment of Edwardes in 1977. BL's main problem was identified as its industrial relations problems. Management had difficulties in containing the disruptive power of labour (Marsden et.al. 1985;Scarborough 1986; Willman 1984;Willman/Winch 1985). Disputes at BL concerned pay and management's attempt to recompose control over labour on the basis of new working practices, intensification of work, extension of the working day (density of work) (ibids.). Management's attempt to contain the uncertainty on the shop-floor was the main target of restructuring. The central problem was one of abolishing the workers' job control and of introducing managerially defined practices (Scarborough 1986). Ryder sought to implement changes within the institutional structure of mutuality at BL. The term 'mutuality' refers to a form of industrial relations in which every change in the labour process had to be discussed with, and to be agreed on by, the shop stewards. The incorporation of the BL shop-stewards into a corporatist form of representation, strategy consultation and policy implementation, permitted an alienation of the shop-stewards from the shop-floor (Holloway 1987). The shop-stewards generally agreed to Ryder's objective of 'making BL strong again' (ibid.). However, within the corporatist procedure, the shop-stewards had merely the opportunity of putting forward their own ideas for restructuring. The co-optation of the shop-stewards, while expressing the power of the working class, undermined the possibility of organising resistance at the shop-floor against restructuring, the terms of which were agreed on by the shop-stewards (need to increase productivity centred on new methods of production). Although Ryder's attempt failed because of persistent industrial relations problems, it nevertheless contributed to the demoralisation and exhaustion of the conflict at BL. Under the impact of declining profits and under the threat of competitive erosion, the system of mutuality was regarded as the obstacle to increasing profitability and the survival of BL (Holloway 1987). The reimposition of control was seen as the key objective for achieving productivity increases. The new methods of production were seen as a means to create that control. When Edwardes was appointed chief executive of BL, it signalled not only a shift in managerial strategy, but also the abandonment of Ryder's expansionist approach that had been backed by the then Labour government and upon which the co-operation of the shop-stewards had rested. Edwardes sought to tackle the continuing decline of BL's market share (see Scarborough 1986) and persistent industrial relations problems by undermining labour's strength through the destruction of productive capacity and closing down of plant, permitting a disciplining of labour through the threat of the sack.

By the end of the 1970's, the exhaustion of the capacity of the social contract to ensure social passivity threatened to undermine the imposition of money in command on the basis of downward pressure on indirect and direct wages. The attempt to regain financial stability focused, to a large extent, on cuts in welfare spending. Alongside the dissociation of Keynesianism from full employment guarantees, the attack on the welfare state involved the reimposition of the rule of money, dissociating Keynesianism from integrating the working class on the basis of social reform. The reimposition of the rule of money entailed the enforcing of debt over the working class on the basis of declining living standards. Deflationary attack on indirect wages (social expenditure costs) was a means of cutting back on public debt so as to regain control over public finances. The imposing of tight monetary control over the working class involved, fundamentally, an attack on the existing relation between public expenditure and wages, i.e. the integration of the working class on the basis of social reform and general welfare. The attempt to destroy the existing relation between public expenditure and wages needs to be conceived of as a monetary decomposition of social relations through a divisive policy of state austerity, exploiting and intensifying the divisions within the working class. During the 1970's, the recomposition of the welfare state depended on the containment of labour's disruptive strength on the basis of the corporatist integration of a particular working class interest through selective monetary expansion. With the legitimating backing of the IMF, the Labour governments under Wilson-Callaghan introduced significant social welfare reductions (10). In 1976, the government announced cuts of £4.600 million for the next two years (McDonnell 1978, p. 43). The cuts in 1976 were "far greater than any cuts in state expenditure ever made previously" (London 1980, p. 70). Cuts in welfare spending rose to roughly £8.100 million between 1977-1979 (Krieger 1987, p. 182). In its 1977 budget, Labour announced its decision to introduce new limits on the money supply by restricting the domestic expansion of credit (see McDonnell 1978). This reduction aimed to impose a drastic reduction in the PSBR, in line with the conditions associated with the loan negotiated with the IMF.

Between 1974 and 1975, the number of people receiving unemployment or supplementary benefit doubled, effecting a rise in benefit costs from £400 to £800 million (Gough 1985, p. 92). The significance of the cuts was not so much the quantitative development of welfare expenditure in general but the imposition of financial scarcity and economic insecurity over those relying on welfare spending. In the face of an increasing number of recipients, the cuts were much more critical than the consideration of expenditure levels suggests (Gough 1985; McDonnell 1978). The cuts focused on curbing food subsidies, on reducing expenditure for housing, education, health and personal services. It was the personal services which expanded rapidly during the 1970's, making the "switch from 17 per cent growth in 1973-75 to 11 per cent contraction in 1975-77" a dramatic reduction (Gough 1985, p. 129). An important feature of the cuts was the reduction of capital spending. In the face of inflationary cost increases for infrastructual items, cuts in capital spending made it difficult to finance standards required, domestically and internationally (see Gough 1985;Altvater et.al. 1976). Reductions in capital spending led to underspending in the fields of infrastructure, education and health. Within the total reduction of public spending, Fryer (1979) estimates an underspending in capital spending of about £2.8 billion, resulting in deteriorating services, while necessary repair work remained undone and hospitals were forced to close.

The key word in the defence of imposition of money in command over the conditions of life through cuts in social expenditure was to 'meet needs', that is, to 'scrutinise waste' (cf. London 1980). To scrutinise waste implies making the whole system of social security more repressive so as to contain possible cash control collapses. The monitoring of possible misuse of welfare provisions and, hence, the screening of 'claimants' so as to prevent frauds involved pacification costs that were made available, not to recuperate the burden of economic hardship and financial insecurity, but to contain the conditions of life within a tight discipline of the limits of the tight money. The treatment of 'claimants' as possible scroungers came to the fore in 1976 as "an ideological campaign against 'scroungers' led to an increase in the number of fraud investigators" (Burden/Campbell 1985, p. 113). Additionally, resources were not only shifted in favour of aid to industry, but also in favour of policing (McDonnell 1978;Gough 1985). The search for waste, that is the cutting back on debt, implies also the centralisation of financial control over the welfare state on the basis of administrative rationalisation of government departments. Financial centralisation involves the imposition of greater effectiveness over the administration of welfare provisions so as to prevent mismanagement. Administrative rationalisation took the form of centralised administration within departments (i.e NHS), the bringing together of services of a similar kind under one administrative body (i.e. health and social security; DHSS), and centralised budget control over local government.

Screening and monitoring of 'claimants' implied the removal of administrative discretion and the introduction of central guidelines over form, content and scope of services. To increase effectiveness entailed the introduction of managerial market criteria over spending and the centralisation of the bureaucratic structure of the state in the attempt to meet the ends of a government of limited liquidity. The centralisation of budget control over spending was associated with the imposition of rigorous cash limits. Cash limits need to be seen as an important element in imposing money in command over the conditions of life. Cash limits entailed the introduction of managerial criteria concerning the effective use of limited resources and involved, as such, much more than merely financial control over spending. "They had the fundamental implications for the form of public administration in subordinating political and administrative discretion to the rule of money, ensuring that the provisions of social services according to centrally determined bureaucratic and political criteria would be confined within rigorously enforced financial constraints, rather than expanding in response to social needs expressed at the point of provision" (Clarke 1988a, p. 155). A tight monetary regime enforced competition between different departments for financial provision, entailed managerial criteria over the use of limited resources and implied deteriorating services and more intense working conditions for those employed in areas that were hit hardest, straining the relation between those running these services on the local basis and those dependent on service provisions. Cash limits must therefore be seen not just as a technical mechanism for imposing limited liquidity, but as a key element in the recomposition of the welfare state in terms of repression and efficiency and in the tightening up of relation of bureaucratic control within the state so as to supervise possible cash control collapses, i.e. the collapse of controlling the working class on the basis of tight money.

The objective to 'meet needs' involved also attempts to reinforce the division within the working class as benefits for long-term unemployed were reduced. The gap in unemployment benefits widened by 19% by 1978 (Gough 1985, p. 139). This policy contributed to marginalising sections of the working class, reinforcing the hardship of long-term unemployed through discriminating monetary pressure and stigmatising them as parasites. This repressive form of divide and rule was furthered by forms of bureaucratic control. The attempt to increase efficiency implied the individualisation of 'claimants' through bureaucratic hurdles, computer aided supervision and centrally formalised administrative procedures. The overwhelming structure of bureaucratic structures integrated 'claimants' through administrative forms of control and defined their problems as aspects of the administration of limited liquidity. As the unemployed are not seen as a constituents within the Labour Party and trade unions, they became increasingly marginalised within the formalised structure of interest-representation, while bureaucratic forms of control permitted a treatment of 'claimants' more directly within the ambit of the state. The administration of austerity over the conditions of life entailed an official denial of the existence of the unemployed in terms of class as they were treated as 'claimants' and, as such, a bureaucratic problem and a financial hazard, permitting a tight network of political supervision so as to weed out possible scroungers and misuse of public money. The imposition of money in command comprised thus the tightening of formalised bureaucratic forms of control. These developments implied a recomposition of the welfare state in terms of repression and efficiency. The overall direction of these measures was to secure a socially controlled imposition of the money power of capital.

Within the context of a government of limited liquidity, the subordination of the conditions of life to the power of money reinforced the division within the working class, affecting, in particular, those on the bottom of the wage hierarchy (i.e. differentiation between long and short term unemployed; curbing of food subsidies; cuts in housing). The restructuring of the welfare state imposed financial self-discipline over large parts of the population. Further, the low waged and unwaged were individualised through bureaucratic hurdles associated with the provision of benefits. The subordination of political criteria to the 'dictates of the market' subjected the working class to an individualising imposition of money in command, safeguarded by law and order control (formalised bureaucratic hurdles; computer aided surveillance; criminalising of 'claimants' as possible scroungers; monitoring of possible maladministration etc). The massive redistribution of wealth in favour of capital coincided with a policy of imposed economic insecurity for the population at large. The imposition of money in command involved the decomposition of class relations through changes in the relations between the centre and the margins, which is to say between those higher up in the hierarchical order and those lower down, between the waged and low waged workers, between the waged and the wageless, and amongst the wageless themselves. While social unrest in opposition to deflationary policies had only a few years ago brought down the Heath government, the reconstruction of political domination through the incorporation of the trade unions achieved a responsibilisation of the working class which made possible the socially controlled imposition of a deflationary erosion of living standards. According to Burton (1985), the cuts achieved under Labour in the 1970's were much greater than those under the Conservatives in the 1980's, permitting monetarists like Burton to claim that the Thatcher government showed insufficient determination in pursuing monetarist policies. Despite the drastic imposition of money in command, the attempt to pacify class conflict through policies of class collaboration involved integration costs. Cuts in social expenditure were outweighed by increases in the cost of unemployment benefit, employment subsidies and temporary employment schemes; by the increasing cost of industrial 'rationalisation' programmes; nationalisation of industry; and by the increased cost of debt service associated with higher interest rates. Public expenditure continued to rise as unemployment soared. The pacification costs with which government sought to avoid resistance to social expenditure cuts put pressure on the PSBR which continued to deteriorate between 1977 and 1979.

The recomposition of the welfare state in terms of repression and efficiency involved also a confrontation with the trade union movement. The campaign against the recomposition of the welfare state as a controlling institution over the imposition of money in command was mainly organised by those unions whose members were affected by the recomposition of the welfare state (NALGO; NUPE; COHSE: see Fryer 1979;Ascher 1987). Health and local government workers were among the earliest public sector activitsts. Resolutions passed by those unions involved in the defence of the welfare state called for an immediate return to a policy of full employment growth, introduction of socialist planning principles, an end to cuts in social spending and immediate measures to reduce the social consequences of high inflation, including a redistribution of wealth in favour of labour. These demands were accepted by the TUC General Congress in June 1976. However, neither the TUC nor the industrial unions were willing to jeopardise relations with government by supporting the campaign against cuts in any other way than by giving verbal support. Instead, the TUC and the main industrial unions organised against the campaign in that they criticised strikes as undermining the unity of the labour movement. This denunciation of social conflict over the cuts contributed to the demobilisation of social resistance through the marginalisation of those unions invovled in the campaign within the trade union movement. The claim that public dissent constituted a socially irresponsible confrontation with Labour that would destroy the unity of the movement (see Fryer 1979) was a potent force. The unions which organised public resistance were said to be constituting an alternative to the TUC, while the

TUC claimed to use its influence in the consultative framework of the social contract to alleviate the impact of cuts (ibid.). The struggle over the cuts was of decisive importance for the survival of the social contract. The stability of the social contract depended on the imposition of the limits of accumulation on the working class in a socially controlled and peaceful way. The demobilisation of social unrest was of crucial importance not only for the trade union movement's attempt to retain achieved positions of political influence but, more fundamentally, for the continuation of the delicate synthesis of the imposition of money in command and the legitimation of deflationary policies through corporatist forms of class collaboration.

The attempt to regain control over, and to improve the efficiency of, public spending, entailed the government in imposing tighter financial limits on, and increasing budgetary control over, local government spending. The centralisation of budgetary control implies a recomposition of the relation between central and local government which is the biggest distributor of social services (Gough 1985), which is vulnerable to popular demand (Jessop 1980), which is one of the biggest employers and which has to 'manage' the 'local' working class and its poverty (Cockburn 1977). Over the years, local government spending on education, housing and social services increased (Gough 1985), while the proportion of local rates gradually declined as a significant source of revenue. "We are then faced with an apparent paradox: local-authority spending, particularly on social services, has risen rapidly to one third of total government expenditure, but local-authority rate income has fallen equally rapidly to one-tenth of government revenue" (ibid., p. 97). Local government became more and more dependent, to meet increased cost of spending, on financial support from central government. The gap between local government expenditure and direct tax income was filled by financial support from central government, the total of which accounted for 39% in 1965 and 55% in 1975 (ibid.). In order to regain control over public spending, government tightened the administrative structure of the state in the attempt to rationalise the imposition of money in command and regain control over public spending. The centralisation of financial control over local government integrated the local state much more closely into the limits of the international movement of the money power of capital. The attempt to centralise financial control over the local state, thus transforming local government into a civil service institution of the central state, involved three integrated strategies: the geographical reorganisation of local government, intervention into its financial position, and centralised control over social services run by local government.

The reorganisation of local government occurred as early as 1974 when local government was amalgamated to fewer and larger areas (see Gough 1985). This centralisation of political authority on the local level implied a professionalising of local government. At the same time, large departments such as the DHSS took away administrative discretion from local government and introduced elaborate central bureaucratic forms of control, including managerial market criteria. "Systematic forward planning of health and social-security services has been developed within this framework since 1974, the time when the structure of the NHS was altered to secure more effective central control" (Gough 1985, p. 99/100) (11). Rigorous interventions into the financial position of local government occurred by 1975/6 as dramatic reductions in the rate support grant for local government (see London 1980) were introduced, including the imposition of cash limits over local government spending (see Gough 1985). The support grant made up for more than half (London 1980) of the expenditure of local government. Cash limits intervened into capital spending of local government (Travers 1987;Gough 1985;London 1980). In order to control possible collapses of cash control, overspending in capital spending was punished by the introduction of loan sanctions (Gough 1985;H.Davies 1987) which local government had to obtain for any capital spending that was to be financed by credit. Rigid financial ceilings were introduced in 1975. Cash limits on capital spending and loan sanctions restricted the financial room for manoeuvre of local government and made them more and more financially dependent on central government's financial discretion. By the mid 1970's two-thirds of voted expenditure was subject to cash limits: "a planned ceiling in cash terms on the extent to which initial estimates can be raised by supplementary votes" (Gough 1985, p. 99). Additionally, central government intervened increasingly in the way which local government saw fit to use 'public' money. The imposition of service prescription is associated with specific grants. Specific grants are a proportion of the support grant. This proportion increased from 9% in the mid 1970's to 16% in 1979/1980 (Travers 1987, p. 20). Special grants bypass local government's freedom to impose policies it sees as desirable and made it possible for central government to dictate the form, content and scope of local government activities.

The centralisation of budgetary control over spending involved attempts to improve control over the effective use of public money by local authorities. The assessment of cash limits and rate support grant focuses on what was termed 'social need', which effectively means the determination of what local authorities should be spending to provide services. Additionally, tighter control over spending performance was, in the face of punitive sanctions for overspending (loan sanctions), superimposed by monitoring procedures over local government's effective use of resources. All this imposed some sort of self-discipline on local government to restrain spending and to scrutinise 'waste'. The imposition of self-discipline, in turn, entailed hidden cuts in spending as local government sought to increase savings in order to meet financial difficulties if they should arise. In sum, the centralisation of budgeting control involves a shift in emphasis from local government as administrator of material concessions to an administrative executor of cuts and deteriorating services. While this development depoliticised local government, it made local authorities look like the perpetrators of the deflationary attack on the conditions of life.

However, despite attempts to regain control over local government spending, current spending levels continued to rise, while capital spending was increasingly constrained since the mid 1970's (see Travers 1987). Rising current spending levels need to be seen as an expression of the political strength of labour because a high proportion of current costs in local spending is accounted for by wages of workers in local government employment. Resistance by local government workers to cuts in wages had "significant direct and indirect effects upon the financial situation of local government" (Ascher 1987, p. 212). The direct effects were increasing wage costs at the same time as the squeeze on local government's financial position forced "politically sensitive local tax increases" (ibid.). As pressure on wages would have fuelled strike action, local authorities relied on cuts in capital expenditure and increased fees and charges. The attempt to prevent social discontent over cuts in social expenditure from spreading required the commitment of pacification costs in the form of higher current spending. The imposition of money in command led to deteriorating services, higher local taxes and rising fees for services. Sustained increases in current spending eased the pressure on local government that had become increasingly embroiled with community resistance in opposition to the imposition of tight money (see Cockburn 1977). The state's response to community resistance centred around 'corporate management' (Cockburn 1977, p. 34). When the struggle over the local state deepened, the defects of containing resistance on the basis of corporate management saw the development of 'community development' which was regarded as a means of legitimating the state's policy of tight money in the face of growing impoverishment of, particularly, the workers in the ghettos of the big cities. Community development provided a channel of local participation ('participatory democracy') in administering the organisation of life within the limits of centrally determined resources (ibid.). The administrative reforms, ostensibly to increase democratic participation, involved the attempt to deflect public dissatisfaction with the administration of the government's financial straitjacket and bureaucratic constraints. However, higher local taxes contributed to inflation while the rising levels of current spending contributed to persistent PSBR problems.

The pressure on the PSBR derived also from the policing costs that the control of the working class on the basis of tight money demanded. The domestication of the social conflict on the basis of the imposition of money in command involved not only the policing of trade union members by the trade union the bureaucracy and the extension of bureaucratic means of supervising possible cash control collapses. It involved also the maintenance and extension of tough policing practices once the coordinated effort of class collaboration to contain the class struggle on the basis of corporatist strategies failed to control money in command's imposition. The politicising of policing that marked a culmination of well established trends (E.P. Thompson 1980;Bunyan 1977) safeguarded deflationary attack in case of a break down of civilised forms of law and order control.

In response to the miners' strike in 1972, the then Conservative government established the National Security Committee. Labour retained this body under a less controversial name: the Civil Contingencies Committee (Geary 1985). The purpose of this body is to draw up plans for the maintenance of supplies and services during industrial disputes. The Committee is virtually a strike breaking machinery (ibid.). Other preemptive measures for combatting possible public and industrial disorder include the National Reporting Centre (founded in 1972)(12) and the expansion of powers given to the Defence Scientific Advisory Committee to review available intelligence gathering and crowd control equipment (ibid.). Additionally, Labour proposed to establish a new centralised intelligence service in 1975. This service was to coordinate "police, Special Branch, MI5 and various other intelligence operations" (Geary 1985, p. 95/6). Whether this agency was ever established and whether it is in full operation is, as yet, not known (ibid.). The National Reporting Centre coordinates different police support units during strikes and public disorder (ibid.). After World War II, it was decided that police support units "should be formed to provide mobile squads of men for civil defence purposes" (ibid., p. 101). In response to the Saltley mass picketing by the NUM in 1972, the police support units formally took over peacetime civil order purposes (ibid.). The police support units provide the basis for the national standardisation of police training, organisation and equipment. This development dates back to at least the 1960's (Kettle 1985). The riot squads of the British police are based on the police support units. The operation of the police support units is coordinated by the National Reporting Centre. This Centre "is to maintain full details of the availability of police throughout England and Wales (does not include Scotland) and to deploy it to places where it is judged to be needed" (Kettle 1985, p. 26). Although the mutual aid system between police support units kept the decentralised structure of policing formally intact, the central state secured increasing power over policing directives and forms of 'crowd control'. In constitutional terms, there is no such body as a British police (Morgan 1987). While the constitutional responsibility for the police still rested with local authorities, preemptive emergency measures rendered uniform the policing of society and established a central authority over form, content and direction of policing, including the introduction of standardised equipment, training and operational tactics. While their control over policing methods and equipment decreased, local authorities had to carry the financial burden to pay for equipment and, if required, the transporting of police officers to their destination of crowd control.

The imposition of the power of money was thus complemented by the planning of emergency combat of disorder. Centralised policing powers - fuelled by the desire to uproot terrorism (Prevention of Terrorism Act) - need to be seen as complementing the recomposition of the welfare state in terms of repression. Behind the smokescreen of a policy of national consensus, national security policies gathered momentum as a preemptive stabilisation of social peace once the coordinated effort of class collaboration broke down. The preemptive use of force reinforced the attempt to process class conflict in non-class forms of citizenship. The self-contradictory displacement of class to citizenship is reinforced by the doubling of citizen into citizen, endowed with particular rights, and potential criminal. By treating citizens as objects of police control, citizenship is defined, and processed, as potentially unlawful and deviant. The Conservative's crusade against the break-down of law and order was based on already existing emergency measures, including the monitoring and screening of those relying on welfare provisions and law and order control supervising the monetary and legal decomposition of class relations. The Keynesian objective of transforming protest into demand changed during the 1970's to a co-ordinated effort of class collaboration seeking to impose the rule of money through emergency planning for possible cash control collapses. In the face of selective pacification costs designed to maintain social peace, a tight monetary regime imposed the lurid face of equality upon the conditions of life.

II Discrediting of the Social Contract

Since the mid 1970's, the monetarist assertion of a connection between the rate of growth of the money supply and inflation played an ever more important role in the attempt to confine the aspirations of the working class within the limits of accumulation. The shift to restrictive budgetary policies from the 1976 budget onwards restored some confidence in the pound as the PSBR fell from 10.5 billion in 1975 to 9.5 billion in 1976. This development provided government with the opportunity to finance its PSBR with less difficulties without thereby simultaneously compromising the targeting of the money supply (see Clarke 1987). However, the crisis of containing labour's productive power within the limits of capital reasserted itself in the form of fragile international money markets, earmarked by the crisis of the dollar in 1977. The dollar crisis manifested the exhaustion of the policy of integrating the abstract category of labour with the value form on the basis of balance of payment deficits and credit-expansion. The defence of the dollar through high interest rates coincided, in the UK, with an increase in the rate of inflation, and renewed PSBR and balance of payment difficulties. Labour, rather than relaxing its monetary policies so as to stimulate economic growth, "allowed pound sterling to rise in order to curb inflation" (Clarke 1988a, p. 156). The sense of unfairness over the tyranny of the state increased as it became clear that the policy of selective planning failed to bring about real returns in the form of employment and wages. For the trade unions, the main difficulty was that they co-operated with Labour in formulating and imposing deflationary policies which, rather than providing the miraculous cure of the economy, turned out to be nothing else than inflationism, credit-sustained accumulation, and a real sacrifice for the working class in terms of deteriorating living standards, mass unemployment, economic insecurity, bureaucratic control and supervision as well as intensification of exploitation. Since 1976 any hopes had dwindled rapidly of the state raising indirect wages and reversing restrictive income policies. The intensification of the social conflict in the form of community resistance to tight money control, industrial militancy against wage restraint and restructuring of production and opposition to unemployment and financial insecurity, signalled that the corporatist reconstruction of political domination was living increasingly on borrowed time. Class struggle manifested itself in resistance to the intensification of work and to the imposition of the abstract equality of money over the conditions of life. The class struggle responded to the attempt to reintegrate the category of abstract labour with the value form on the basis of the enforcement of debt over the working class. Growing opposition to unpalatable deflationary policies challenged not only the political package of deflation, but, more fundamentally, the form of the state itself. Social unrest was directed, implicitly or explicitly, towards the form of the state as it manifested the concentrated force of the 'international terrorism of money' (cf. Marazzi 1976). At the same time, the class struggle in and against the form of the state entailed pacification costs which the maintenance of the increasingly fragile synthesis between political domination and its legitimating discourse, or, in other words, the relation between deflationary policies and Keynesian class collaboration, required. Despite an abrasive attack on living standards, the tendency in the PSBR was upwards, while the balance of payments continued to deteriorate.

Protest and resistance against the erosion of wages through income policies gathered momentum as voluntary agreement over wage restraint shifted to statutory income policies by 1978. While the trade unions remained largely committed to the social contract, their support for highly unpalatable deflationary policies dwindled as they were threatened with the loss of control over their members. The growing tension between the TUC and the Labour Party is reflected in the joint publications of the Liaison Committee. The tone of these statements became increasingly exhortative, calling for the implementation of industrial democracy and criticising the neglect and failure of government to sustain social consensus. "The irony in both the contents and the tone of this and later documents of the LC [Liaison Committee] is that, while they reflect the growing anxiety of the trade union wing of the partnership (and no doubt of some members from the NEC), the appearance of solidarity is preserved by their being presented always with the endorsement of the Prime Minister and ministerial wing, who were themselves of course directly responsible for the procrastination under criticism" (Coates/Topham 1986, p. 56/7). The statements of the Liaison Committee reflected growing social dissent. As trade unions found it more and more difficult to rally their members in support of the social contract, monetarist policies within an institutionalised form of class collaboration reached their historical barrier to the containment of class struggle. Labour lost its electoral appeal as the Party of consensus able to integrate the working class behind the smokescreen of a national interest in modernisation and rationalisation. Instead Labour and the trade unions gained recognition as administrators of cuts and deteriorating services associated with bureaucratic forms of control. The sudden, but looming, outburst of industrial militancy by the end of the 1970's brought into the open the inherent tension of the social contract. While the Keynesian class compromise was progressively dismantled since 1976, the eruption of a wave of strikes in the winter of discontent drove the remaining nail into its coffin. The winter of discontent signalled the exhaustion of the corporatist reconstruction of political domination. The deflationary attack on the working class no longer sustained the integration of those workers upon whom the stability of class collaboration rested. The reassertion of industrial militancy undermined the political attempt to disorganise the working class on the basis of the corporatist collective. The failure to ensure social passivity undermined the capacity of the trade union movement to collaborate in deflationary attack without losing its ties to its members. The foundation of the social contract was thereby undermined.

When inflation began to rise at the end of the 1970's, globally and domestically, and when Callaghan attempted to tease the delegates on the 1978 TUC General Congress to either commit themselves to a new round of severe wage restraint or to face a general election, the TUC lost its ability to control the tension longer. "The last straw was the 5% ceiling imposed in August 1978 that provoked the 'winter of discontent' in which an unprecedented wave of militancy greeted the government's attempt to hold down wages in the face of inflation that was rising again" (Clarke 1987, p. 413). By the end of the 1978, "almost 20 per cent of the British workforce had been on strike, from oil-tanker drivers to hospital porters, from lorry drivers to journalists, from train crews to gravediggers" (Bassett 1986, p. 7). The coordinated effort by Labour and the organised trade union movement to take the heat out of the cold climate of industrial relations had failed. In response to growing social unrest and a looming recession, "the TUC joined government in coining a new phrase, an 'Agreed Economic Assessment' aimed at 'a broader national consensus on the overall distribution of income'. The February statement's conclusion even pointed the way towards the priority of the new Toryism, which was waiting a few more months to take over: 'central to the achievement of all this, is the need to defeat inflation. A target of getting inflation below five per cent within three years is a bold one, but we must take it as our aim'. It has since taken the Thatcher government five years to reach the target bequeathed by the TUC and Labour's departing Prime Minister at a cost which is now legendary" (Coates/Topham 1986, p. 59). Labour's claim to be the party of social consensus lost its acclaim, as did its claim to have a special relationship with the trade unions, because the trade unions were incompetent to deal, in a responsible way, with the explosion of unrest in the winter of discontent. However, the winter of discontent did not result in a renewed spiral of militancy, as in the late 1960's and early 1970's. In the face of mass unemployment and a decomposition of work-place organisation, the decisive demoralisation, demobilisation and fragmentation of class conflict during the social contract did not, in retrospect, permit a sustained period of class polarisation and confrontation. The channelling of resentment against the alien form of the capitalist state power into the established composition of political domination, fostered the ideology of the New Right concerning its condemnation of the tyranny of the state and the coercive power of trade unions. The demobilisation and demoralisation of social conflict laid the foundations for the recomposition of the role of the state under the Conservative governments in the 1980's.

The discrediting of monetarist policies within a Keynesian framework of class collaboration established the foundation for the removal of the empty shell of the institutional form of class collaboration itself. The winter of discontent destroyed the last vestige of political credibility of the Keynesian mode of integration, fuelling the claim of the New Right that the miraculous cure of economic recovery rested on the rejection of the interventionist state in favour of the subordination of political criteria to the dictates of the market. In the face of a renewed recession that turned stagnation into depression, the discrediting of the social contract strengthened the hand of those who sought to exploit the popular resentment at the alienated form of the capitalist state power. The ideology of the New Right filled the gap between political domination and legitimation, whose Keynesian synthesis had broken down during the last years of the social contract. The disillusion over the social contract, whose policies turned from the 'planning of growth and output' to the 'planning of deflation and supervision', illustrated the practical failure of Keynesianism and proved the practicality of monetarism, as represented by the Conservatives. Therefore, it was not surprising that the incoming Thatcher government dropped all attempts to secure co-operation from the TUC. The TUC had not the strength to promise social peace in exchange for something Labour proved to be unable to deliver. Nor was it possible to reconstruct political authority through corporatist forms of domination over the social unrest, as indicated by the failure of the trade union movement to normalise and domesticate the class conflict during the winter of discontent.

III Conclusion

The development of the state can be systematised into three overlapping phases of the class struggle over domination: the indiscriminate expansion of welfare and direct wages between 1972 and 1975; the attempt to regain and to consolidate control over the social conflict through a corporatist form of class collaboration, associated with the demoralisation and demobilisation of class conflict (1974 onwards); and the attempt to reconstruct the domination over labour through deflationary attack (1975 onwards;for a similar systematisation see Negri 1988c). The first phase is characterised by expansionary policies that responded to the tremendous class conflict of the early 1970's. Despite pressure on profit, neither capital nor the state were able to hold down wages or to intensify labour. This phase is characterised by deteriorating balance of payments, a sharp rise in the PSBR, rapid inflation and a deep recession. The important feature of this phase was the consolidation of class conflict over the wage, in the broader sense of the social wage, i.e. direct wages and welfare concessions. The political strength of the working class to resist intensification of work and to command a social wage, forced the state to an expansive monetary policy that was in sharp contrast to the global limits of accumulation. The consolidation of the social conflict in the form of the wage relation manifested the political strength of the working class in a way which, by 1974, blocked the class struggle over domination. The expectation of a rising social wage (including employment guarantees and industrial democracy) was institutionalised in the social contract as a quid pro quo for social peace. However, this institutionalisation politicised the social wage as it constituted the focus of the class struggle over the imposition of political domination (money in command). The struggle over money in command involved the struggle over the living standard commanded by the working class. The expectation of a rising living standard was expressed in institutional form in the corporatist reconstruction of political domination.

The second phase is characterised by the corporatist reconstruction of political domination. The tight integration of the organised labour movement expressed the political strength of the working class, as the social contract made explicit in institutional form the dependence of capital upon labour. However, the institutionalisation of the class conflict not only consolidated the working class in terms of the wage relation, it also made explicit the social constitution of the trade unions as existing in a dialectical continuum as representatives, and managers, of discontent. Behind the smokescreen of a policy of social partnership lurked the responsibilisation of the trade union movement to the authority of the state, permitting a definition of the conflict over domination as one between national and sectional interest. Within this displacement of the class conflict, the trade unions took over the role of representing the sectional interest of a working people subaltern to national interest. Corporatist reconstruction of political domination involved the disorganisation of the working class as class: the channelling of discontent over the reimposition of the value form into responsible outlets that were construed as means of influence for appropriate responsible citizens (13). Corporatist admission into the hierarchical composition of political domination was conditional upon the effort of the trade unions to demobilise the class conflict and to serve the ends of the imperatives of capitalist accumulation (see Negri 1988c). The normalisation of class conflict through corporatist forms of responsibilisation continued until the late 1970's.

The third phase comprises the imposition of a government of limited liquidity. With the help of the organised trade union movement and credit-sustained accumulation, restrictive incomes policies came into effect by 1975, cuts in public expenditure were successfully imposed by 1976, and the welfare state was progressively recomposed in terms of repression and efficiency. At the same time, the state and capital turned from holding back aggressive management policies to adopting a more aggressive approach towards the working class. By reimposing the limits of the market over the conditions of life, the Keynesian attempt to plan full-employment growth turned into a politically controlled planning of a socially controlled imposition of money in command. Similarly, the Keynesian welfare state turned from redistributor of social wealth into an administrator of cuts and the planning of economic growth and output turned into the planning of social security, safeguarding deflationary attack. The corporatist demobilisation of the working class was superimposed through the desolidarisation of the working class on the basis of a monetary and legal decomposition of class relations. The shift in emphasis to a government of limited liquidity manifested the death throes of the Keynesian mode of integration. However, while the 'spirit' of the social contract was violated, its formal agreement remained intact. The TUC, for practical reasons, accepted the political priority of deflation and was willing to domesticate the class conflict.

The recomposition of the welfare state in terms of efficiency, bureaucratic control, and repression, including centralised budget control as a means of keeping monetary targets and redistribution of wealth in favour of capital, permitted a resurgence of the ideology of the market within the conception of the Keynesian interventionist state. The main direction of the restrictive monetary policies comprised the combination of selective financial support for capital with the attempt to gain control over inflation by a deflationary attack on the conditions of life. While Labour's industrial policy was contradictory with regard to nationalisation of lame ducks, it nevertheless involved the subordination of political criteria to the market as implied by the the watering down of industrial policy, and selective financial aid to those companies regarded as an asset to the balance of payments and troubled by industrial relations problems. This development is in evidence also concerning the abandonment of full-employment growth policies, i.e. the shift in emphasis from demand-management (underwriting of profits) to the fine tuning of financial aid. Keynesian policies no longer aimed at restoring output and balancing levels of consumption, but, rather, at reactivating the limits of the market over the conditions of life. The financial centralisation of the state entailed the tightening of the network of social normalisation through restrictive material concessions and bureaucratic forms of control, discriminating against the egalitarianism associated with the ideology of social reforms. The tyranny of austerity spilled over into a repressive recomposition of the welfare state, or, rather, this spill over constitutes a form of control with which to make certain what otherwise might have been disruptive. Money in command is premised on law and order control. However, continuing PSBR and balance of payment problems as well as high rates of inflation indicates that the struggle over deflationary attack was by no means resolved, despite a massive imposition of tight money. The strength of the working class in struggling to defend its living standards can be seen in the desperate attempt by Callaghan to achieve agreement for further wage restraint, sparking off the winter of discontent and ending with what Hobsbawm et.al. (1981) termed 'The Long March of Labour Halted'.

The corporatist reconstruction of political domination and subsequent deflationary attack manifested a centralisation of the hierarchical composition of political authority in the form of centralised budget control, centralised control over direct wages, centralised policing powers, centralised negotiation of order through formalised patterns of incorporation, centralised bureaucratic structure of the welfare state, including the combination of government departments and tighter financial control over local government. These developments coincided, on the other hand, with a diffusion of political authority in the form of formalisation and legalisation of industrial relations, bureaucratic control over 'claimants', transformation of local government to an administrative civil service department, etc. The centralisation and diffusion of the alien form of capitalist state power manifests, ~~in~~ the face of the fragility of credit-sustained accumulation, a mode of motion of the class struggle over the reimposition of the power of money. The centralisation of political authority indicates the political attempt to secure a socially controlled, non-conflictual, and politically supervised reimposition of the limits of accumulation right down to the shop-floor and to the place of contact between 'users and administrators' of the welfare state. Centralisation and diffusion need to be seen as forms taken by the reconstruction of political domination which sought to block the class struggle and to make certain the imposition of the power of money. The attempt to enmesh social relations more directly in the ambit of the state indicates a development consequent upon the loss of political influence over the domestic management of accumulation, following the rupture of capitalist domination over labour's productive power and the class conflict that forced the state to reassert the Keynesian conception of the interventionist state. The crisis of domination over labour that had led to the events of 1971 and 1973 (formal abandonment of Bretton Woods) proved to be of fundamental importance for the development of the state. Further, the class conflict in the early 1970's proved to be crucial as it made it impossible for the state to launch a deflationary attack through a policy of confrontation. The constitution of overaccumulation and crisis in the form of the global power of money indicates a shift of state power to the world market wherein the movement of money capital takes place. This shift is expressed in the centralisation and diffusion of the state: the attempt to regain control over public spending and the domestic circulation of currency through centralised budget control and the diffusion of control so as to make certain the imposition of limited liquidity over the conditions of life. While the constitution of the social contract proved to be vital for the reassertion of political authority, the subordination of the social to the limits of accumulation depended on sustained accumulation. By 1977, the political composition of the social contract started to crumble as the constitution of capitalist accumulation on the basis of credit approached a renewed recession.

In formal terms, the political substance of the social contract depended on the legitimation of the deflationary attack on the working class through an input of consensus. Such an input, however, depended on real achievements, i.e. the recovery of capitalist accumulation and the reassertion of a policy of social reform. While the credit-sustained accumulation made possible the fragmentation of the working class, the looming recession that gathered momentum by 1978 implied the exhaustion of a policy of social control on the basis of divide and rule. For the state, the crucial problem raised by the threatening but sudden outburst of discontent concerns the question of how to reimpose the power of money in a socially controlled way that would harness discontent into non-conflictual forms of class disorganisation. The

New Right "were able to tap popular resentment at the alienated form of the capitalist state power, which came to a head over issues of inflation and taxation, which the monetarism of the New Right articulated in terms of the relationship between money and the state" (Clarke 1990b, ms. p. 19). The relationship between money and the state articulated by the New Right involved the rejection of the interventionist state in favour of the subordination of the state, capital and the working class to the limits of the market. The New Right's articulation of a closer relationship between money and the state rested not on a philosophy of monetarism but, rather, on the need of government to come to terms with the ability of the working class to disrupt the unfettered rule of the market forces. This disruption is expressed in the fragile movement of unemployed capital on the world market. The attempt to reconstitute social relations on the basis of the market involves the subordination of social relations to the global limits of accumulation, characterised by the speculative accumulation of unemployed capital on the world's money markets. The imposition of money in command concerns the political attempt to enforce debt over the working class so as to defend the formal exchange equality of currency through larger reserves and to intensify work in the attempt to ensure the existence of credit as a claim on future surplus value.

Four major elements of the development of the state stand out, all of which developed much more stringently in the 1980's: the recomposition of welfare in terms of repression and efficiency, including centralised budget control; the shift from a Keynesian form of economic planning to the political imposition of the limits of the market on the working class, while discretionary fiscal and credit policies sought to sustain accumulation; the demobilisation and demoralisation of the working class through the reinforcement of the divisions within the working class, while, at the same time, the state sought to subordinate the conditions of life to formalised forms of control, including legalisation of industrial relations, and to restrictive monetary intervention; and, finally, the subordination of political criteria to the dictates of the market as implied by the adoption of essentially monetarist policies by 1976. These developments involve fundamentally the rejection of the interventionist state in favour of the subordination of political criteria to the market, the imposition of austerity over the working class, involving the destruction of the relation between public expenditure and wages, law and order control of society, and the accommodation of domestic management of accumulation to the unfettered rule of value in the form of capital. Regarding the more stringent development of these elements under the incoming Conservative government in 1979, the period between

1974 and 1979 needs to be seen as a transitional phase during which the struggle of the working class was blocked, domesticated and integrated into bourgeois forms of the wage relation. The period between 1974 and 1979 needs to be seen as a transitional phase also because of the constitution of the working class as the collective antithesis to the imposition of money of command, a subjective power that forced capitalist reproduction more and more into debt and that, despite an abrasive attack on living standards, resisted the enforcement of debt.

Notes

1: The TUC and Labour discussed policies in the Liaison Committee, a consultative body that was set up in 1972. The Committee consisted out of six members from the Parliamentary Labour Party, Labour's national executive and trade unions respectively. During the period of the social contract the Committee continued to meet and to publish statements commenting on the policies of the social contract. On the historical, social and financial relationship between Labour and trade unions see Minkin 1974,1978, 1979;Coates/Topham 1986;Crouch 1982;Panitch 1976,1986,1988.

2: The incorporation of the organised labour movement into the state, domestically and internationally, gave rise to view of the trade unions as mass-integrative state apparatuses (see Hirsch 1976,1977). The conceptualisation of the state, underlying this understanding of the trade unions, dwells on the notion of the 'relative autonomy' of the political from the economic and on Gramsci's conception of political power (on Gramsci's conception of political power see Buci-Glucksmann 1981;Priester 1981;Showstack Sassoon 1987). Following Gramsci, Hirsch sees the Keynesian state as an integrated state that combines 'leadership' (ideological integration and supremacy) 'armoured with coercion' (political power and domination). Hirsch picks up on this conception by assuming the separation of the political from the economic as an accomplished historical fact that serves as a premise for the historically concrete development of political power. The historically concrete composition of the state is identified with the state as apparatus. The state as apparatus operates, in turn, within the form-determined separation of the state from the social (Hirsch 1983b;for critique see Bonefeld 1987b;Clarke 1990b).

The relation between the state in general (form of the state) and the historically concrete form of the state (state as apparatus) is construed in terms of historically specific cohesion between the economic and political subsystems of society (historic bloc). In order for the state to assume leadership - a problem of ideological cohesion of society - the state needs to incorporate organisations of civil society, including trade unions, churches, the media, the education system (Hirsch 1976,1977). This process specifies the state as an heterogeneous unity of diverse apparatuses (ibid.), the historically specific concentration of which is seen as an historic bloc. The state as apparatus is thus systematised as existing in and through different apparatuses: the repressive, ideological and the mass-integrative apparatuses. Their relation to one another is seen as one of relative autonomy (ibid.). This relative autonomy is said to be functionally required for the reproduction of the capitalist system as it allows the state to adapt in a flexible way to modifications in the balance of class forces (relation between capital and labour) and between the balance of compromise (relation between different capital fractions) (ibid.). The function of the state apparatuses is to make the social environment assured for capitalist reproduction and hence to make the aspiration of the working class compatible with the process of accumulation (ibid.). The different apparatuses comprise the functional aspect of what is seen as the general aspect of the state: leadership armoured with coercion. The different state apparatuses are said to relate differently to the cohesion of this functionally derived requirement - either predominantly repressive, ideological or massintegrative, while, at the same time, each apparatus comprises, to a different degree, a mixture of repression and ideology. The combination of the different apparatuses as well as the internal predominance of either ideological/integrative or repressive accentuation depends on the class struggle operating within the predetermined structure of the form of the state. Regarding the massintegrative apparatus of the trade unions, they are seen as complementing, together with social-

democratic parties, the ideological integration of society (ibid.). The massintegrative apparatus provides predominantly material concessions for the working and middle classes. These concessions are provided in a way which is 'compatible' with capitalist accumulation. Hence the question of how to achieve the processing of the social conflict into forms functionally required for the reproduction of capital. The answer provided by Hirsch points to the structural predominance of the repressive state apparatus. "Consequently, the intervention of the repressive state authority must always, and primarily, be directed at guaranteeing the integrative functional capacity of the apparatuses for ideological and mass integration" (Hirsch 1978c, p. 225). The conception of the trade unions as massintegrative state apparatuses was watered down with the 'emergence' of monetarist policies in the 1970's and the difficulties faced by trade unions in fulfilling the function ascribed to them by Hirsch. Following Esser's (1982) conception of the trade unions as intermediary apparatuses, the incorporation of the trade unions was now seen as providing a 'regulative transmission belt' between the economic and political (see Esser/Hirsch 1984).
This revision did not overcome the problem at issue: the conceptionalisation of trade unions according to the function they are ascribed to play in the relation between the social and political. This reasoning regarding the role of trade unions presupposed their form of existence as following a particular, one- dimensional, logic within the systemic existence of capitalism. Far from conceptualising the trade unions as a mode of existence of class antagonism, and, as such, as a mode of motion of contradiction, constituted by, and a process of, class conflict, the trade unions are construed according to the requirements of the 'logic' of capital, a logic of a one-sided abstraction. This understanding is reminiscent of Althusser's (1977b) differentiation between general and specific (ideological) structures and gives rise to a structuralist and voluntarist understanding of social existence and development (Bonefeld 1987b;Clarke 1978,1990b). In the event, the treatment of the state as a one-sided abstraction and the separation of different levels of analysis (form state as general abstraction and state apparatus as concrete existence conceptually separated from the form of the state, while constituting its specific power structure) is at best descriptive and suggestive.

3: The choice between the policies pursued and a more radical response to unemployment and wage pressure was, according to Benn (1984, p. 148-9), "not forced upon us by extremist pressure from the allegedly revolutionary left, but by the banker, and in particular by the IMF which virtually blackmailed unions by imposing a rigid policy of wage restraint upon them". The IMF loan has entered the "mythology of the Labour Party as the crucial turning point in the strategy of the Labour government of 1974-1979" (Clarke 1987, p. 411). The imposition of deflationary policies marked rather a culmination of well established trends that were, from 1972-1975, overridden by the more fundamental concern of demobilising the class struggle through expansive integration costs.

4: In the UK, the four largest companies produced 99.5% of passenger car output in 1980. Only one of these, BL, is 'British' owned. Ford and Vauxhall are subsidiaries of 'US' multinationals whereas Talbot is a subsidiary of the French based multinational 'PSA' (Peugeot,Citroen) (see Fine/Harris 1985).

5: BL's share of the market fell to 17.8% in 1982 and recovered only slightly to 18.3% in 1984 (see Marsden et.al. 1985). Recently, BL's struggle for survival has been put under increased pressure by a government's sponsored development of the Nissan plant in Sunderland. In the course of the crisis-ridden process of accumulation, BL's manual work-force declined from 20,000 in 1975 to only 9,600 in 1982 (see Scarborough 1986).

6: On the world wide reductions in employment, see Fine/Harris 1985, p. 263

7: It was only between 1979 and 1983 that the average number of strikes and the working days lost decreased. However, the number of strikes remained still at the level of 1959 to 1963, whereas the working days lost by far exceeded the phase between 1964 and 1968 (see Marsden et.al. 1985, p. 121).

8: For an assessment see Panitch 1986;Hyman 1979a,b,1987;Wedderburn 1978.

9: Although the Industrial Relations Act rendered closed shops unlawful, the number of closed shop agreements increased, partly because of management's objective of using the coordinating effort of trade unions to making certain and predicable social relations.

10: On the cuts see see Fryer 1979;Gough 1985;McDonnell 1978;see also London 1980.

11: "What we are see emerging for the National Health Service is the most managerial and the most hierarchical of planning systems we have encountered either in America or in the

United Kingdom" (H. Glennerster, Social Service Budgets and Social Policy (London 1975), p. 153, cited in Gough 1985, p. 100). O'Connor (1973) discusses this development as leading to the establishment of a 'social- industrial complex'.

12: The National Reporting Centre was in operation, as distinct from training practices, only once in the 1970's (1974 during the miners' strike) and its role then was only to monitor the strike.

13: At the point of crisis of the corporatist reconstruction of political domination, Jessop (1978) conceptualises the social contract as a specific form of the state: i.e. the corporatist form of the state. This form of the state is, in turn, identified with the highest development of social democracy. "If the Keynesian mixed economy and welfare state represent the first stage of social democracy as a form of state, corporatism represents its second and highest stage" (Jessop 1978, p. 46). The 'emergence' of corporatism is seen as following the development of accumulation that, by the 1970's, is, in turn, seen as having created the structural conditions for the corporatist form of the state. By the end of the 1970's, Jessop attributed to the corporatist form of the state and "its articulation with other elements of the social formation" the possibility of its playing "a vital role in securing the preconditions of capital accumulation in altered circumstances" (Jessop 1979, p. 192-3). Since corporatist structures allow for tripartite interest-intermediation, combined, in a contradictory unity, with parlamentarism (Jessop 1979, p. 195), Jessop sees the class struggle as being constituted on the political level of the trade union movement (Jessop 1978, p. 42,45). This development is regarded as constituting the capitalist state as an ideal capitalist. Although Jessop attempts to integrate the emergence of the corporatist form of the state with the development of capitalist accumulation, including the reconstruction of control over labour, his argument remains ambiguous. The conceptualisation of social form remains a mere point of reference, juxtaposed to a ideal-typ discussion on corporatism (for assessment see Panitch 1986;see also Kastendiek 1980).

As Jessop understands the crisis-ridden reconstruction of political authority through the class collaboration of trade unions as the highest stage of social democracy, he equates, by implication, the crisis of accumulation during the 1970's with the best possible mode of existence of a Keynesian mode of integration. However, impressed by the increasing importance of monetarist policies, Jessop started to water down his earlier conception of corporatism (Jessop 1980). With the Conservative election in 1979, Jessop casts considerable doubt on the historical viability of corporatism in Britain. However, the undermining of corporatism is not seen as a process of social conflict, but is, rather, discussed institutionally: monetarism "has developed in Britain because parliamentarianism has already lost, and corporatism has not yet acquired the facility of securing bourgeois rule" (Jessop 1980, p. 82). In his work on (post-)Fordism, Jessop sees corporatism not as a form of the state, but as an element of a more systematic concept: Fordism.

In the event, Jessop's understanding of corporatism remains merely suggestive and descriptive. The problem with Jessop is that he seeks an understanding of corporatism as constituting a systemic mode of articulation between different social subsystems. Corporatism is seen as an intermediate concept between the abstract (logical) and concrete (historic development of the mode of articulation between different social structures). Since Jessop discusses concrete structural modes of articulation as being functionally interdependent (see Bonefeld 1990a), and since corporatism is being discussed as manifesting the highest stage of social-democracy, corporatism is treated as a functional articulation of a system whose development accords with the logics of the different subsystems within their historically specific combination. By implication, corporatism conforms to the historical development of different, although interdependent, structural logics. The causal logic of externally related variables implies a static relations of different things, whose development can only be seen as a quantum leap between structures: i.e. the leap from corporatism (Fordism) to monetarism (post-Fordism). In my thesis, the conceptualising of corporatism is similar to Panitch (1986) and Hyman (1985b). Hyman contends that the development of corporatist forms of integration "rested, not - as some writers have argued - on a philosophy of 'corporatism', but on the pragmatic need of government to come to terms with the ability of unions and their members to disrupt (however unintentionally) national economic policy" (Hyman 1985b, p. 117).

Chapter V

THE DEVELOPMENT OF THE STATE UNDER THE THATCHER GOVERNMENTS

The incoming Conservative government under Thatcher drew its strength from the contradictions of Labour's monetarist practice embedded within a Keynesian framework of class collaboration. By the end of the 1970's, the social contract had become a 'paper tiger' which the Thatcher government could brush aside without provoking costly and damaging resistance (see Clarke 1988a). However, the social conflict that had brought down the Callaghan government could not be controlled simply by a more stringent use of monetarist policies. The principal challenge to the Thatcher government was neither the Labour Party nor the trade unions. The trade union movement had cooperated with increasingly monetarist policies under Callaghan and had accepted the urgent need radically to curb inflation through deflationary attack. In the name of national solidarity, the organised left in Britain had defended the "institutions of the capitalist state against growing working class resistance, culminating in the 'winter of discontent' in 1978-9, but in so doing only discredited itself" (Clarke 1990b, ms. p. 31). The incoming Thatcher government did not challenge Labour's acceptance of monetarist policies. Rather, it challenged the role of the state under Labour in the 1970's. In contrast to Labour's affirmation of the concept of the interventionist state, the Conservatives put forward a much more stringent programme for regaining financial control: the subordination of the state and society alike to the unfettered rule of world money.

After the election in 1979, the momentum of the winter of discontent was far from being contained. "A record number of days were lost through strikes in 1979. But the 'Winter of Discontent' accounted for only one-quarter of them. More than twice as many were lost in the national engineering stoppage which took place in the autumn, well after the general election" (MacInnes 1987, p. 33). With the break-down of the corporatist normalisation of class conflict in the late 1970's, the disruptive strength of labour no longer manifested itself in a collective corporatist form of institutionalisation (i.e. in the corporatist reconstruction of political power). Rather, the collective power of labour that had brought down the social contract, manifested itself through resistance to money in command. The break-down of the corporatist forms of domination reasserted the collective power of the working class as the principal challenge to the monetarist reconstruction of political domination. The Thatcher government inherited not only a renewed deep recession but also social resistance to a government of limited liquidity. The break-down of the social contract was based on the failure to moderate the pace of accumulation in a way which sustained the disorganisation of class as between those who gained and those who lost in the course of credit-sustained stagnation in the 1970's. The monetarist articulation of the relation between world money and the conditions of life, in terms of the subordination of society and the state to the dictates of the market, entails the coercive imposition of command. The coercive use of power manifests the right of property in and through the use of force to secure private property against debt default, i.e. the use of force to secure debt as claim on social life.

The monetarist attempt to bring back the ideology of the market involved an attack on the ability of the working class during the 1970's to command pacification costs in the form of selective employment guarantees. The instantiation of 'economic freedom' entails the subordination of social relations to the power of the market that rewards entrepreneurship. The reimposition of the power of the market involves the reimposition of the power of money whose impulses mediate market expectations and guarantee enterprise. Such a reconstruction of the market presupposes a predictable growth in the money supply. Monetarist ideology proclaims the reimposition of the presupposition of competitive capitalism so as to make it possible for every market agent to be alert to the messages of the market. The reimposition of the unfettered operation of the market forces presupposes, in turn, the rejection of the Keynesian interventionist state as this latter stunts enterprise. It presupposes also an attack on trade union power so as to make wages and labour markets flexible and so as to undermine trade unions' blackmail on government. The reimposition of the power of money is identical with the reimposition of money in command: i.e. the subordination of social relations to the individualising and oppressive dictates of debt enforcement. The enforcement of debt entails the intensification of work so as to secure credit as a claim on surplus value and the regaining of financial stability through cuts in social spending so as to guarantee the ability of the state to act as lender of last resort. The attempt to integrate the working class on the basis of tight money involves the imposition of work through the value form, i.e. through the abstract equality of money as command to work. The imposition of the money power of capital entails the recomposition of the role of the state, moving from corporatist integration of the working class to concentrated force imposing upon the working class the limits of the market (i.e. money in command). The monetarist attempt to instantiate economic freedom over the conditions of life entails the destruction of Keynesian consensus policies in favour of the republic of the market: no state meddling in the free play of market forces, and the imposition of financial stability, as the preconditions of enterprising individuals bound by the power of money which restrains the ambitions of those who are not alert to the messages of the market. Monetarist ideology concerning the power of market forces proclaims the equality of each market agent. State meddling in the free play of the market generates political privileges that undermine the precondition of equality, the non-coerced operation of the market. The principal target of monetarist attack is the role of the state vis-á-vis the working class. Instead of integration and pacification costs, the monetarist articulation of the limits of the market involves the monetary decomposition of class relations on the basis of the market. Instead of political privileges institutionally expressed in the Keynesian guarantee of employment and income, monetarism proclaims the destruction of the Keynesian relation between public expenditure and wages, i.e. the Keynesian attempt to transform protest into demand. If there is inflation, then the control of the money supply provides the mechanism for deflation. While the social contract depended on the successful responsibilisation of labour on the basis of social reform, monetarist reconstruction of the market proclaims the responsibilisation of the social to the lurid face of economic freedom and equality: i.e. the reimposition of the power of money in and through political force. Instead of the Keynesian attempt to transform protest into demand, monetarism involves the attempt to decompose protest on the basis of the violence of equality and the use of force: accommodate to the forces of the market and make no argument. By attacking Labour's conception of the interventionist state, the Conservatives articulated the limits of capitalist reproduction in terms of a repressive reconstitution of the social relations on the basis of the market which treats as equal the social to the power of money. In the face of working class resistance, associated with a renewed wage explosion, and a renewed recession which turned stagnation into depression, the monetarist attempt to restore political domination rested on the decomposition of the class relationships and the recomposition of class in a mode of being denied (see chapter II), i.e. on the basis of the category of property owner and citizen (Clarke 1990a).

The monetary decomposition of class relations involved the systematic exercise of law and order command so as to assure the reimposition of the power of money. This reconstruction involves the imposition of work through the commodity form, i.e. the free and non-coerced exchange on the market. The instantiation of free and non-coerced exchange implies the reconstruction of social relations on the basis of market equality, the incarnation of which is money. The monetary decomposition of class relations manifests, in explicit form, the preemptive counterrevolution against labour's collective power to resist intensification of work and deflationary attack. The subordination of political discretion to the market entailed the policing of debt enforcement over capital (weeding out of unproductive capital), the working class (wage restraint and intensification of work so as to realise credit as claim on surplus value) and the state itself (reduction of PSBR). The principal target of the reimposition of the money power of capital is the pacification and integration costs with which the state had sought to pacify those workers upon whose passivity the political stability of corporatist reconstruction of political domination had rested during the 1970's. The Conservative's crusade against the trade unions expresses the attack on labour's ability to command pacification costs and to resist the recomposition of the production process.

I The MTFS and the Productive and Disruptive Power of Labour

Initially, the new Conservative government changed rhetoric but did not fundamentally modify policies which had been pursued under the Labour government (see Clarke 1988a). The Conservatives took over Labour's monetary targets (Tomlinson 1986) and denied the TUC political involvement, challenging the whole philosophy of corporatism. The attempt to banish the trade union movement to the political periphery shows the strategy of the Thatcher government as one of politically reinforcing the outcome of the class struggle of the late 1970's. Why concede to trade unions a political status which, even if largely decorative, nevertheless recognises in institutional form a distinctive working-class interest within the formulation of political objectives? The exclusion of the trade union movement from the corridors of power, including the ideological delegitimation of trade unions and collective interest representation (Crouch 1985; S.Hall 1983; Kastendiek 1982,1985), shifted emphasis from tripartite representation of interests to a tightening of the hierarchical composition of political domination so as to 'restore command' (Schwarz 1987). However, despite offensive rhetoric, the Thatcher government proceeded relatively modestly. Practice has not altogether matched the abrasive rhetoric. The "promised massacre of the 'quangos' has been relatively modest; not all ministers and mandarins dismiss the ritual formalities of traditional consultative relations; and if real union influence within these channels is negligible, the same complaint could be heard even at the height of the 1970s social contract" (Hyman 1989c, p. 190-1; on the first Thatcher government). Trade union participation in the formulation of policies survived in quangos like the NEDC, ACAS, and the MSC. Whereas the political significance of the former two quangos eroded increasingly, the MSC grew in importance during the 1980's. Nonetheless, the thrust of the government's approach towards the TUC has been to "restrict involvement in broader policy developments. The withdrawal of interventionist measures had circumvented the administrative channels through which the TUC derived influence" (Waddington 1988, p. 8-9). The brushing away of the empty shell of Keynesian class collaboration involved the eradication of institutional forms that underlay the ability of the working class to command a consumption norm based on a general expectation of rising living standards. The attempt to reassert political domination on the basis of exclusion involves, by implication, a shift in emphasis of the meaning of consensus. The meaning of consensus shifted from negotiation of consensus to compliance with law and order, that is unquestioned obedience to law and order command. Instead of consultative relations at the level of government, the policy of exclusion implies unquestioned compliance with the authority of the state. The attempt to reconstitute social relations on the basis of exclusion affirms the aggressive strength of monetarism, involving a law and order disciplining of defiance and, by implication, heavy policing of disputes. The participation of trade unions in some of the quangos mentioned needs to be seen as sort of tokenism designed to alleviate social tension and as a cautious attempt to gain legitimacy for possibly unpopular policies, like the MSC training schemes. This cautious attack on trade unions is clearly expressed in the early labour legislation (Employment Act 1980; hereafter: EA 1980).

Government sought to intervene in industrial relations through the introduction of trade union laws. However, the EA 1980 amounted only to a cautious attempt to discipline trade unions through legal means. Rather than forcing changes in the way in which trade unions operate, the EA 1980 buttressed established development patterns and put into legal form the commitment of the TUC General Council to contain the 'anarchy' of the winter of discontent. During the winter of discontent, the "general council was drawn into producing, with indecent haste, a new Solemn and Binding Agreement, the so-called 'Concordat', in which they agreed to undertake voluntary control on picketing, the closed shop, inter-union disputes and (eventually) wage demands" (Panitch 1986, p. 126). The EA 1980 outlawed strikes which were not connected with the work conditions of those engaged in a dispute. This regulation outlawed secondary action (see Clark 1985). However, as noted by Clark/Wedderburn (1983), this regulation could be avoided easily. Further, a code of practice restricted the number of pickets to six. During the early 1980's, all these restrictions had only marginal effects (see Clark 1985). The EA 1980 restricted also the closed shop arrangements as it declared unlawful strikes whose purpose it was to enforce closed shops. Such a dispute is seen as one between employees (employees opposing and affirming closed shops) and not between employer and employees. Disciplinary measures are made unlawful against employees who hold a personal reason for abstaining from such disputes or who abstain from industrial disputes following the rejection of closed shop arrangements through secret ballots (see Clark/Wedderburn 1983). Without a secret ballot the dismissal of a non-union member is declared automatically unlawful. The Act provides the possibility of financial compensation for an employee unfairly dismissed. This compensation is to be paid by the employer, while the employer is able to gain a just and equitable contribution from the trade union involved (see Clark/Wedderburn 1983). The EA 1980 codified well established trends. Although 37% of all non-management employees were employed in closed shops between 1977-8 (Hyman 1989b, p. 178), the closed shop was in decline by the end of the 1970's (Dunn 1985). Closed shops were increasingly regarded by employers as an obstacle to the restructuring of production while their disciplinary effect was in disrepute following the winter of discontent (ibid.). For the fist five years after 1979 there were no new closed shop arrangements (Clark 1985). Lastly, the EA 1980 encouraged trade unions to hold secret ballots before taking strike action, an encouragement sustained by financial provision to cover costs arising from such ballots. The EA 1980 was largely symbolical as it codified existing developments and stigmatised trade unions as coercive organisations restricting individual freedom and violating democratic procedure. The EA 1980 was the first legal attack to restrict the trade unions' ability to take strike action.

While income policies were ruled out because of the danger of political confrontation between government and the working class, government's attempt to reduce inflationary pressure was hampered by the wage explosion during the winter of discontent and the government's commitment to honour the awards to public sector workers recommended by the Clegg Commission set up under Labour (see MacInnes 1987). Further inflationary pressure was generated from the fiscal redistribution of income in 1979. The tax reductions in 1979 were for the vast majority of the population tax increases (see Thompson 1986;Cronin/Radtke 1987;D.Hall 1983; Esam et.al. 1985). The Thatcher government's first budget "reduced the standard rate of income tax from 33 to 30 per cent and the top rate from 83 to 60 per cent" (Cronin/Radtke 1987, p. 289). However, these reductions were more than compensated for by increases in indirect taxes, as VAT increased from 8 to 15% (ibid.) and as national insurance contributions increased from 6.5 to 9% of GNP (Esam et.al. 1985, p. 125). On the other hand, major tax relief was introduced for business which received tax relief of £13000 million between 1980 and 81 alone (D.Hall 1983, p. 27). Further, government reduced the capital gains tax (see Esam et.al. 1985;Cronin/Radtke 1987). The use of fiscal instruments amounted to a deflationary intervention that is not unfamiliar in the context of a Keynesian policy of deflation. Fiscal redistribution of wealth in favour of capital, rather than permitting productive investment, increased the money supply and inflationary pressure as, in the face of overaccumulation, fiscal relief spilled largely over into unproductive and speculative channels, financing public and private debt internationally and domestically. Tax incentives fostered the expansion of the money supply that monetarism pledged to control.

When the world boom was breaking, the effect of these policies was rather different from the 1970's. During the depression, the pound was over-appreciated, due to high interest rates and North Sea Oil profits, fuelling inflation through high import prices and high costs of outside financing (see Clarke 1988a). At the same time, the abandonment of remaining exchange controls in 1979 contributed to an increasing outflow of capital. "The increase in VAT, rising wages and import prices, high interest rates, the rising exchange rate and the fall in export demand put an unprecedented squeeze on profits. As stockholdings rose, the indebtedness of the corporate sector mounted, putting upward pressure on bank lending, the money supply and interest rates, while the removal of banking controls meant that the government had no means of regulating the growth of credit, short of draconian monetary contraction" (Clarke 1988a, p. 162). The old policy instruments aggravated the recession which was the deeper the more accumulation was sustained by credit. Something had to be done.

The 1980 budget introduced a much more stringent monetarist policy, the main objective of which was price stability. The Thatcher government sought to control the money supply through the control of the terms on which government supplies money and borrows from the private sector. The restrictive money policy was institutionalised in the Medium Term Financial Strategy (MTFS) which was launched in the 1980 budget. The MTFS made explicit the subordination of the state, capital and the working class to the power of world money as it imposed a drastic monetary contraction in the attempt to regain control over the growth of credit. The MTFS made explicit the rejection of the Keynesian use of money. The control of the money supply implied high interest rates, designed as a means of eradicating debt by enforcing debt over productive capital, the state and the working class, curbing erratic monetary policies of inflationary deficit demand management associated with Keynesianism. With its MTFS, government restricted the ambitions of employers through pressure on their solvency, encouraging them to adopt a more aggressive stand against labour: i.e. pressure on wages, intensification of work and reassertion of the right to manage.

The MTFS intervened in the circuit of capital not by underwriting profits through demand management or by providing financial assistance for modernisation and rationalisation of production. The imposition of tight money intervened in the financial solidity of productive capital, reasserting the limits of the market through scarce, and more costly, credit. Evidence of the tightness of money policies "was provided by the 30 per cent rise in the sterling exchange rate and the jump in interest rates" (MacInnes 1987, p. 65). The cost of loanable capital increased as a "lower quantity of money implied an increase in interest rates from 12% (1979) to 16/7% throughout the early 1980's" (Smith 1984, p. 20). Far from withdrawing state intervention, state intervention changed form as the monetarist imposition of tight money reasserted the limits of the market in the form of tight money. The state's imposition of a regime of tight money affected the solvency of enterprise, sacrificing labour and productive activity on the altar of money.

The monetary target set by government was defined by the money supply measured in M3 (1). The targeting of the money supply was closely related to the control of public expenditure. While high interest rates were seen as alleviating speculative pressure on currency, the reduction of the PSBR was seen as easing inflationary pressure on capital. The belief attached to the MTFS was that by announcing a firm monetary supply target and by sticking to it the "monetary supply target would translate itself into a deflationary expectation of the general rate of inflation and price formation" (Thompson 1986, p. 63). The disproportion between money in circulation and the output of goods and services, i.e. the speculative dimension of accumulation, would thus be overcome, permitting the reimposition of a simple market equilibrium. The expectation on the part of market agents for particular prices "would be fixed in terms of a deflationary outcome. The 'problem' of inflation would thereby be solved" (Thompson 1986, p. 63). The key variable for restoring a sound relation between the productive and monetary sphere was the reduction of the PSBR. "In the face of speculative pressure on financial markets the government could only pursue a restrictive monetary policy, without driving interest rates sky-high, if it could reduce public borrowing" (Clarke 1988a, p. 162). The MTFS was based on the assumption that "public expenditure is related to national income as a resource constraint and also that government borrowing is correlated with changes in the money supply" (Mullard 1987, p. 3-4). The reduction of the PSBR was of decisive importance for the success of the MTFS. With the MTFS, government made explicit the rejection of the Keynesian interventionist state, i.e. the integration of the working class through demand. Fundamentally, the MTFS was designed to abolish the reproduction of labour's productive power on the basis of credit through the threat of unemployment, attacking the ability of the working class to resist deflationary attack and intensification of work.

The MTFS made explicit the attempt to destroy the Keynesian relation between public expenditure and wages (i.e. the Keynesian attempt to transform protest into demand). The MTFS involved cuts in public expenditure, tighter financial control on local authorities, unemployment, pressure on wages, recomposition of production and job insecurity, in the face of a deep recession, all of this precipitated by the monetary decomposition of a credit-sustained underwriting of profits. The MTFS not only repealed the illusion of full employment policies that had prevailed during the 1970's, it also entailed the subordination of the working class to the use of money to politically promote mass unemployment. The MTFS attacked in particular those workers (i.e. the organised working class) upon whose passivity the social contract had rested. The MTFS challenged the integration of the organised working class on the basis of pacification costs and employment guarantees (i.e. the quid pro quo of trade union co-operation with government after World War II). Mass unemployment, in turn, permitted a shift in the balance of class forces through the disciplining force of unemployment, including the fragmentation of the working class (as between those who remained employed and those who more were made redundant).

The lack of foundation of Monetarism's assertion of a simple quantitative relation between money and goods made itself felt to the Thatcher government through the devastating destruction of productive activity, rising unemployment, public disorder, and a looming collapse of the international credit relations. The attempt to arrest the tendency to overaccumulation of capital by reasserting the limits of the market by means of restrictive monetary policies can contain the productive and disruptive power of labour. However, it can do so only at the risk of intensified class struggle, decreasing investment, a drop in public revenue and, in the event, the real possibility of a chain of defaults and financial collapse (Clarke 1988b). In what follows, attention focuses on these issues.

For companies running large overdrafts, the policy of scarce money and high interest rates entailed not only a substantial squeeze on profits, but also the real possibility of accelerated insolvency. When the second deep recession struck in 1979, manufacturing had still not reached the level of 1973 (MacInnes 1987). The second recession from 1979 to 1982 hit severely. From 1979 to 1982, the volume of production fell by 19% contributing to a decline by 4% in the GNP (Gamble 1983, p. 99). While productive investment fell by 36% (ibid.), manufacturing output fell by 17% between 1979 and 1981 and employment in manufacturing declined by 21% (MacInnes 1987, p. 65). High interest rates contributed to the immense devaluation and liquidation of productive capital in the early 1980's as redundancies and closures reached record levels. "In manufacturing, average profit levels fell by half, capital investment fell by over one-third and from 1981 onwards net capital investment became negative as plant closures reduced stock of equipment in use dramatically" (MacInnes 1987, p. 65). The forty largest manufacturing companies reduced employment in the UK between 1979 and 1986 by 415,000 (MacInnes 1987, p. 80). At the same time, 12,000 company liquidations occurred in 1982 alone (Gamble 1986, p. 194). "Major sectors like electrical engineering, textiles, and clothing suffered an increase in import penetration of the domestic market of 25 per cent. At the same time the flow of capital abroad sharply increased. Between 1979 and 1983 £35.4 billion went out, a net outflow of £18.8 billion" (Gamble 1986, p. 194). Domestic accumulation was severely hit by the appreciation of the pound which the Thatcher government "did nothing to discourage" and by the "very high interest rates which the financial strategy required" (Gamble 1986, p. 194). Exchange rate rises and an overvalued pound sterling cost ICI half-a-billion pounds in 1981 alone (Leys 1985). In the face of changes in the exchange rate of the pound and high interest rates, the competitive position of UK's national economy fell by 20% (Gamble 1983, p. 99). This development furthered the deterioration of the balance of trade and put pressure on the pound. However, high interest rates cushioned the pressure on the pound, while oil exports cushioned the balance of payments at the same time as the balance of manufactured trade deteriorated. By 1982, the British economy imported more manufactured goods than it exported for the first time ever (Gamble 1986, p. 194). The Thatcher government presided over the worst economic collapse since the Great Depression (Gamble 1986). Domestic accumulation in the UK was on the edge of an abyss in the early 1980's. This development led some commentators to suggest that the relative decline of the British national economy might have turned into an absolute decline (Gamble 1986) which might lead to the UK's relative position within the EEC deteriorate to one similar to Scotland or Ulster (S. Pollert 1982). It was not until 1984 that the volume of manufacturing exports regained its level of 1980 (MacInnes 1987, p. 67).

-Rising unemployment and intensification of class struggle

Devaluation and liquidation of capital accelerated the rate of unemployment which increased from 5.7% in 1979 to 13.1% in 1983 (compared with figures of 5.1% and 8.7% in OECD countries in those years: Tomlinson 1986, p. 12). At the same time, the population dependent on supplementary benefit increased by 49%, an increase of about 3 million, including 'claimants' and their families (Schwarz 1987, p. 139). Pressure on wages was seen as leading to a reduction in wage inflation, allowing government to keep to its monetary targets. The underlying assumption of monetarism that a rise in unemployment would enable capital to restore the 'right to manage', to contain wage pressure and to restore profitability articulated in explicit terms the use of mass unemployment as a means to pacify and to domesticate the class conflict. However expectations did not adjust so smoothly.

The attempt to destroy the relation between public spending and wages involved strategies aiming at the monetary decomposition of the welfare state. The welfare state was not attacked head on. The Thatcher government continued the policy under Labour of recomposing the welfare state in terms of efficiency and repression. The search for waste included renewed cuts in welfare spending, the reassertion of tight cash limits which worked as a form of public sector incomes policy, and financial pressure on local authorities which worked as a means of centralising budgetary control. By reinforcing Labour's system of cash limits, the Conservative government pushed for increased (cost) efficiency of services, tighter bureaucratic control over 'claimants' and increasing influence of managerial criteria in the allocation of restricted resources to an increasing number of 'claimants'. Under the Conservatives, the use of the system of cash limits - a means to impose the money power of capital over the working class - has been strengthened and applied with increasing vigour. "Intentional official underestimates of inflation and a ruling of the Treasury that a breach of cash limits would be treated as 'financial maladministration' forced certain provisions of services below 'planned' levels and intimidated responsible administrators" (Krieger 1987, p. 185). Between 1981 and 1982, hidden cuts accounted for a total net loss of 6.3% (ibid.). Further, when the Thatcher government increased VAT in 1979, the NHS had to "save as much as £40 million in wage costs and services to pay VAT to the government" (ibid.). Rising costs of health care were associated with systematic underspending. Although the overall level of health spending increased, this increase was designed to keep the NHS running without, thereby, arresting the financial squeeze on health care (see Krause 1989;Mullard 1987;Esam et.al. 1985;Bach 1989).

The financial squeeze on the NHS involved an attack on wages and work conditions. Between 1979 and 1981, trade union responses had been isolated. By 1982, however, there occurred a serious dispute in the health service. The dispute dragged on for months. At the forefront of the action were ancillary workers. The government responded to political opposition and trade union resistance by introducing financial reforms, ostensibly to inrease efficiency, but in fact as an attempt to deflect widespread dissatisfaction with the government's monetary squeeze on health care. One element of the financial reforms was the incursion of commerical criteria into the NHS. As early as 1980, "consultants' contracts were changed to enable them to undertake more private work without deduction from their NHS salary" (Bach 1989, p. 9). The attempt to fragment popular resistance isolated especially those on the lower end of the wage hierarchy. Additionally, the government changed the state's responsibility for funding the NHS. "The state's finance is just 'towards meeting the expenditure', and health authorities are specifically empowered to raise money through jumble sales and the like" (D.Hall 1983, p. 67). This provision involved a first step into the abdication of collective responsibility for health care. However, the conflict over wages and work conditions entailed the government leaving the basic institutions of the NHS relatively intact. The overriding strategy towards the NHS involved financial squeezes that were legitimised as enforcing efficiency.

Cost efficiency involved also the introduction of administrative changes and intensified financial control over those dependent on provisions. While employment in departments such as the DHSS dropped, the introduction of computerised administration allowed, alongside increasing use of fraud inspection, technology-aided screening procedures (Esam et.al. 1985). The heavy handed use of bureaucratic forms of control confirmed the use of repressive principles of selectivity and means-testing of provisions. These developments continued the policies of the 1970's. However, instead of 1.6 million unemployed, as in 1976, these measures involved the bureaucratic control over the imposition of limited resources on about 3 million unemployed plus the increasing number of part-time and low paid workers. Cash benefits were cut by six to seven per cent while high rates of inflation and increasing indirect taxes eroded the value of security benefits

(Krieger 1987). Additionally, the treatment of unemployment benefits as taxable income from June 1982 onwards reinforced the poverty and tax traps. At the same time, law and order expenditure increased by 11% between 1979 and 1983, an increase that was much higher than government had aimed for (Mullard 1987, p. 172). While law and order spending increased, government increased pressure on local authorities, seeking to regain control over public spending through the imposition of tighter money on local expenditure.

With its Local Government Planning Act (1980), the Thatcher government imposed stricter limits on local authorities' power to raise and spend money through a block grant system (see D. Hall 1983;Parkinson 1987a;Uppendahl 1989). Instead of controlling local authority spending through the control of borrowing, as during the 1970's, the block grant system limited the amount of spending "which could be made by an individual authority in any one year" (H. Davies 1987, p. 27). The block grant is determined by central government's assessment of "what a local authority should be spending", an imposition of tight money which "bears little or no relation to what services and spending councils actually undertake" (D. Hall 1983, p. 63-4). Punitive measures came into effect when local authorities overspent government's ceilings by 10% or more (Travers 1987, p. 17). The punitive measure involved grant withdrawal at a penal rate and the removal of local authorities' right to raise additional taxes during the financial year (Ascher 1987). The block grant system allowed central government to select particular authorities for grant reductions without thereby, simultaneously, imposing reductions in the overall level of grants made available to local governments (Travers 1987). The 1980 Act did not involve cash limits on current spending (ibid.). In the face of persistent industrial militancy by local government unions, the likely effect of the 1980 Act was therefore reductions in capital spending and increased rates and local charges for services.

Government had anticipated this loophole. Shortly before the enactment of the 1980 Act in January 1981, the block grant system was amended through the inclusion of current spending levels. Spending targets, as well as penalties for maladministration, were under constant review and sharpened annually, making it difficult for local government to plan budgets and activities in advance. The immense discretionary power given to central government by the 1980 Act was used in such a way that more generous targets were given to low spending councils while restrictive targets were imposed on high spending ones, decomposing a possible concerted resistance by local authorities through the imposition of tighter money upon those councils which sought to administer welfare rather than cuts. Selective and arbitrary imposition of cash limits threatened to undermine the financial solidity of councils. While financial restrictions undermined the power of local authorities to implement policies they might have seen desirable, central government reasserted the recomposition of the welfare state in terms of efficiency and repression by targeting cash limits on those 'most in need'. The major implication of these changes in expenditure control is that those local authorities which want to oppose the government's spending strategy had less scope to do so. However, the overall effect of the 1980 Act involved reductions in capital expenditure and increased fees and charges for local services (Ascher 1987), reinforcing the role of the local government as an administrator of the poverty of the local working class.

The 1980 Act put local authorities into a precarious legal position. Local authorities were under pressure from two different fronts: central government's penal system and pressure from below. The latter concerns resistance by companies and business to increasing local property tax (Ascher 1987). Additionally, local authorities were under pressure from public sector unions which resisted downward pressure on wages and, in the face of the deregulation of council services, demanded secure employment. Local government was under pressure also from those affected by cuts and deteriorating services. Between 1981 and 1983 some local authorities sought to alleviate pressure on their budget by contracting out services. Such a development is not new as some services are not available in-house or as private contractors were brought in to supplement existing staff at peak periods and during strike action (ibid.). However, between 1981 and 1983, emphasis on cost-cutting and cost-efficiency led to a growth of contracting out settlements to which some local authorities turned "as a way to break the deadlock" (Ascher 1987, p. 220). This development involved a direct attack on public sector unions, the bargaining strength of which was partly responsible for the downward inflexibility of current spending which was, by 1979 (Travers 1987), at an all time high partly because of the wage explosion during the winter of discontent. Trade union response to competitive tendering was relatively weak mainly becasue of the isolated nature of contracting out agreements. Calls for non-cooperation were restricted to local ones (Ascher 1987). Contracting out of services to private subcontractors undercut labour costs, casualised labour and undermined the collective bargaining strength of public employees, hitting those at the bottom of the wage hierarchy in public services (i.e. cleaning; catering; laundry) (ibid.). Competitive tendering needs to be seen a means of breaking the power of the public sector unions, forcing down wages and intensifying and casualising labour. The most significant cases of contracting out between 1981 and 1983 were the pioneering Conservative controlled councils of Southend District Council and Wandsworth Council. In both cases, the contract was awarded to the lowest private bidders (ibid.). Despite the attempt by some local authorities to accommodate to tight money by means of competitive tendering, local authorities were able to mount effective political campaigns in the face of widespread dissatisfaction with deteriorating services, forcing the government to commit itself to maintaining standards of services (ibid.).

However, despite cuts in public expenditure, rigorous imposition of cash limits, selective and discriminating means-testing procedures and creeping competitive tendering, the attempt to regain control over public expenditure was undermined by mass unemployment, strikes, and the policing of the unemployed through the institution of the welfare state, including higher direct policing costs. Welfare benefits had been squeezed, while the massive increase in unemployment had led to an enormous increase in the cost of welfare provisions, despite the reductions in rates, an increasingly repressive administration of services and their more selective application. At the same time as the rates of welfare provisions were reduced, welfare spending increased in response to mass unemployment (Mullard 1987). The sheer depth of labour-shedding in industry, political tension over the containment of labour and working class resistance to tight monetary control (see the inner-city riots in the early 1980's) undermined a radical reduction in the PSBR on the basis of cuts in social welfare expenditure, contributing to constant overshooting of government's monetary targets (Mullard 1987;Thompson 1986; Tomlinson 1986). Government's attempt to regain control over public expenditure so as to eradicate debt involved thus a monetary expansion within a tight monetary framework, imposing poverty on large parts of the population, despite a growing share of public expenditure in relation to the GDP (Tomlinson 1986, p. 18). The monetary decomposition of class relations did not destroy the welfare state but, rather, shifted emphasis from material concessions (i.e. integration cost as quid pro quo for social peace) to the use of money as a coercive and repressive means to encourage low pay and to impose social discipline through poverty and unemployment. Instead of enforcing debt over the working class (i.e. reducing the PSBR), the Thatcher government was forced to increase debt financing of repressive pacification costs. These pacification costs were, however, no longer adopted as a means of transforming protest into demand. Rather, they worked as a repressive means of normalising and controlling class conflict on the basis of tight money, permitting a decomposition of the political strength of labour through individualising means of bureaucratic supervision and a politically controlled imposition of deteriorating living standards. The use of public expenditure as a means of imposing monetary discipline involved the individualising of the working class through discriminating and frustrating forms of bureaucratic control of the provision over severely limited resources. The attempt to control the PSBR through monetary restraint worked as a means of recomposing the welfare state as an instrument of monetary and legal supervision. As the Keynesian commitment to full employment was replaced by a policy of 'natural unemployment', the unemployed were advised to compete for what ever jobs were available and to behave as good citizens who look after themselves and their families without challenging the state to increase, unduly, the money supply. The imposition of tight money upon the conditions of life articulated the political commitment to subordinating political discretion to the market. The monetary expansion which the reconstruction of the social relations on the basis of the market demanded was overtly repressive in form, permitting the imposition of unquestioned compliance to the form of the capitalist state power. Since the Finance Act of 1980, supplementary benefit for families whose earner is on strike is subject to means-testing (Krieger 1987). The Act determines that the DHSS has to take into account strike money paid by the trade union, even if strike money is not paid (Clark 1985;Crouch 1985). As, at times fictitious, strike money is taken into consideration for calculating the amount of supplementary benefit, families of strikers' have to submit to bureaucratic forms of screening and monitoring in exchange for reduced supplementary provision. Despite the government's affection for family values, the Act complements government's anti-trade union policy through a policy of hungry stomachs as the miners' strike in 1984/5 forcefully showed.

The disciplining effects of mass unemployment permitted a sustained offensive by the state, and by those employers who survived the depression, to intensify labour and to recompose industrial relations. The monetarist view of micro-economic desirability was forcefully expressed in the way government sought to reassert the right to manage over its own employees. As the largest employer in the country, the Thatcher government saw its direct role in the assault on the workforce as a major one. Any lead it could give employers in terms of aggressive managerial strategies was seen as encouraging private employers to greater efforts. The Thatcher government created a climate that encouraged the attack on existing formalised procedures of collective bargaining. Instead of trade union consultation and participation, government by-passed the trade unions and reasserted the right to manage rigorously. The Conservatives had, under Ridley, drawn up plans for major confrontations with the trade unions, especially steel, rail, public sector unions and the miners. The assault on working practices, renewed cash limits in the public sector and the intensification of work in public enterprises started by 1980. These assaults followed Ridley's plan closely, picking off one union after the other, while operating with caution so as not to trigger major social unrest but, rather, to keep resistance isolated. Additionally, private employers were - in the face of crisis, the break-down of control during the winter of discontent and a government prepared to take on and defeat major groups of workers - determined to recompose working practices, to intensify work, to restrain wages and to reorganise industrial relations. Although the sheer depth of the depression came as a shock, employers did not take long to start turning the depression to their own advantage, realising that workers' self-confidence had been sapped in an unprecedented manner. In the face of mass unemployment, the Thatcher government created a climate in which defeat of labour came to be seen as inevitable. Employers were using this climate to exert greater control over the production process than had been theirs for decades. The climate created by the Thatcher government concerns the restructuring at BL, British Steel, British Shipbuilding and British Rail. All these disputes made use of unemployment as a disciplining measure. Upon the politics of exclusion, the Thatcher government superimposed a policy of confrontation, designed to combat defiance through a 'repressive integration of the working class' (Benyon/Bourn 1986). Heavy policing of industrial disputes (see Geary 1985) reasserted the political attempt to decompose social relations through a ruthless impartiality of monetary and legal intervention into the conditions of life. Rather than reaching compromise through arbitration, the Thatcher government demanded unquestioned compliance to the capitalist state power by wielding the stick of the sack.

British Steel, under the management of MacGregor, imposed massive cuts in output and work-force in 1980-1 and intensified working practices. The assault on employment, wages and work conditions at British Steel triggered a strike on the part of the steel workers in 1980. This strike lasted for four months until the steel workers were finally defeated in 1981. However, the defeat was costly for the government not only in terms of working days lost, but also in terms of renewed commitment to increase subsidies so as to maintain wages and employment. This commitment was forced upon government as a means of demobilising the strike and of undermining a possible spread of unrest. The imposition of the right to manage at

British Rail has taken the form of cutting staff and increased shift work for lower pay. Similarly to the case of British Steel, government was faced with a major social conflict at British Rail which was defeated by 1982. Other major confrontations included the strikes by the Health Service Unions in 1982 and at BL. The struggle at BL saw the same formula: reassertion of the right to manage and renewed commitment to increase subsidies in exchange for social peace (2). Further, the government was faced with a possible miners' strike in 1981. In the face of mounting political opposition, the government recommitted itself to honour the 'Plan of Coal', thus averting a major political confrontation. The government committed itself to maintain employment and wages in the coal industry without a reassertion of the right to manage.

BL's main problem was identified as its industrial relations problem. Management had difficulties in containing unrest within production (Marsden et.al. 1985; Scarborough 1986;Willman 1984). Disputes at BL concerned pay and the recomposition of control through the introduction of new working practices, intensification of labour, extension of the working day (density of labour) and, later, the weeding out 'deviant' employees (Marsden et.al 1985;Willman 1984). The attempt to 'control uncertainty' on the shop floor was the main target of restructuring. The central political issue and problem was one of abolishing workers' job control (Scarborough 1986) and replacing it with managerially defined and therefore 'efficient practices' (ibid.).

The attempt to restore the 'right to manage' under Edwardes built on Ryder's management through consent which involved corporatist forms of interest-intermediation between management and shop stewards over management's prerogatives (Holloway 1987;Willman 1984;Scarborough 1986). When Edwardes was appointed chief executive of BL, it signalled not only a shift in managerial strategy, but also the abandonment of Ryder's expansionist policy. Edwardes was determined to tackle constant industrial relations problems by undermining labour's strength through the destruction of productive capacity and the closing down of plant. The scrapping of productive capacity, advocated as a means of achieving economic soundness, responded through a rigorous policy of labour-shedding to persistent industrial relations problems. Closure of plant disciplined the remaining work-force which was faced with the stark choice of either submitting to the right to manage or joining the dole queue. The key word of management's objective of control was 'flexibility' which effectively meant the destruction of traditional work practices (only 2 out of 31 remained) and a ruthless imposition of the 'right to manage' which effectively meant telling the worker what to do, where to do it, and at what speed (Holloway 1987). The imposition of the right to manage undermined the system of industrial relations characterised by 'payment for change', work demarcations, strict work practices and the system of so-called 'mutuality'. This system had institutionalised the transformation of protest into demand ('payment for change'). Under the impact of declining profits and competitive erosion, this system was regarded as the obstacle to increasing productivity and hence to the survival of BL within the international restructuring of accumulation (Holloway 1987; Scarborough 1986;Willman 1984). The reimposition of control was seen as the key issue for achieving productivity increases. The new methods of production were seen as a means to create that control.

The assault and successful abolition of mutuality, payment for change and the installation of tight work standards, greater flexibility and mobility within the production process as well as computerised control of living labour and a recomposition of the hierarchical wage structure and so on (Scarborough 1986; Holloway 1987) was imposed on the work-force by large scale redundancy, intense uncertainty about jobs, closure of plant, cutback in the size of remaining plant, intimidation and sacking of what were regarded as 'deviant' employees (e.g. the sacking of Robinson), the threat of complete closure of BL, direct communications with the work force (i.e. the use of democracy for imposing authority) instead of shop-steward representation and involvement, and, finally, the circulation of the so-called 'blue newspaper' to every worker individually declaring that at the day the regulations of the new working-practices came into effect (11.9.1980) every worker passing through the factory gate would submit automatically to the new pattern of control while those opposing management's objective would be sacked immediately. Edwardes conducted the assault with the backing of the Conservative government and the encouragement of rising unemployment in the midst of the second deep world-wide recession. 'Macho management' (Hyman 1989b;Holloway 1987) at BL was successful in terms of undermining the balance of class forces and thus in destroying the way in which labour was integrated in the form of industrial relations (mutuality).

While government was successful in reasserting the right to manage in exchange for renewed commitment to subsidies in all the disputes mentioned, it was not sure of success against the NUM in 1981 (see Goodman 1985). When 50.000 miners walked out following its announcement of pit closures, government was quick to defuse the situation by declaring its commitment to honour the Plan of Coal reached between the NUM and Labour in 1974. Government was willing to accept increased subsidies without insisting on the imposition of new productivity deals. It was not only for the possible miners' strike in 1981 that caution guided government's approach. Unlike the miners' strike in 1984, the projected miner's strike in 1981 took place in an environment overtly hostile to government (see Gamble 1988;Jessop et.al. 1988), as indicated by the riots of the early 1980's, the dispute with steel workers, the anger of railmen and the health service workers. The Thatcher government was highly unpopular, while the CBI was openly critical of the suppression of productive activity through draconian monetary contraction and associated high interest rates (see Schwarz 1987). Lastly, the Thatcher government had, in 1981, not fully organised its precautions for the showdown with the NUM as outlined in the Ridley plan. "After giving way in 1981 when faced by the threat of a major stoppage over pit closures the Government had carefully prepared for a major showdown. Little was left to chance. Coal stocks had been built up at the power stations, alternative sources of supply identified, the security forces prepared, detailed contingency plans drawn up by Whitehall, and a new tough chairman, Ian MacGregor, appointed" (Gamble 1988, p. 116). By giving way to the miners in 1981, the government succeeded in undermining the alliance between steel, rail and coal systematically, preventing, in the face of mass unemployment, strikes from spreading through a selective policy of confrontation. Alongside the disciplinary threat of unemployment, the government disorganised the momentum of the winter of discontent through a step-by-step approach to confrontation. The incrementalism that characterised the government's approach expressed the strength of the organised opposition, which forced the government to commit itself to exceeding its own monetary targets.

In the event, the Thatcher government succeeded in demobilising the class conflict through the repressive use of mass unemployment and a monetary decomposition of class relations, permitting a fragmentation of the social conflict into sectional disputes. When faced with more sustained resistance government sought refuge in the option of paying up, in all the disputes mentioned and in particular when faced with the projected miners' strike in 1981. The ability of government to prevent strikes from spreading rested on the diminution of militancy at the level of the shop floor (Coates/Topham 1986) as workers' saw that their resistance led to unemployment and a rigorous display of law and order command in the face of a major economic slump. The decomposition of social conflict needs to be seen in the context of mass unemployment. As the *Times* reported (31.3.1983): "What has happened in shopfloor behaviour through fear and anxiety is much greater than ... could have been achieved by more co-operative methods". Nonetheless, government had to pay up in the form of renewed subsidies to coal, steel and British Leyland so as to demobilise and demoralise the class conflict. These interventions were costly and militated against the desired reduction in public expenditure. The government responded to the disruptive power of labour through a renewed increase in integration costs. These costs domesticated the class conflict not on the basis of the Keynesian transformation of protest into demand but, rather, on the basis of mass unemployment and the segmentation of labour markets. This segmentation prevented the social unrest from spreading through employment guarantees for those workers upon whose (relative) passivity the political stability of the Thatcher government rested. The quid pro quo for subsidies was the acceptance of the intensification of work, assault on work practices and compliance with management. However, the commitment of renewed pacification costs reconstituted the sustaining of productive activity on the basis of deficit spending, containing the class conflict on the basis of debt. While the MTFS was designed to contain labour's disruptive power not on the basis of deficit financing but rather on the basis of debt enforcement, the class conflict in the early 1980's led government to overshoot its own monetary targets. While there can be no doubt of the depth of the deflationary attack on the working class, renewed pacification costs for particular workers reasserted the containment of labour on the basis of 'corporate' integration. The political stability of the Thatcher government depended on preventing social unrest from spreading. The commitment of pacification costs expressed the political strength of labour which government sought to control through a monetary decomposition of the homogeneity of social resistance in opposition to deflationary attack, a resistance that had brought down the Callaghan government in 1979.

Private employers exploited the climate created by the Conservative government. Employers have been able to win trade union agreement to a range of new productivity deals. Reflecting how far the balance of power on the shop floor has shifted in favour of management, these deals are openly designed to get higher output from fewer and lower paid workers. "Commercial pressure and the changed balance of the labour market power have brought the unilateral imposition of reorganization and speed-up, regardless of union (and particularly shop steward) resistance. The threat of closure has itself provided a potent sanction: workers have been offered the stark choice of co-operation with management or losing their jobs" (Hyman 1985b,

p. 116). In the face of growing inflation during the early 1980's (see Tomlinson 1986), "real wages in manufacturing fell by about 3 per cent in 1980 and 1981 despite increasing in money terms by over 30 per cent. Living standards fell with falling wages and reduced employment" (MacInnes 1987, p. 65). The main elements of the intensification of work are speed-up; increased use of time at work through bell to bell working and loss of breaks and relief time; increased shift working; removal of craft demarcation lines; a more severe disciplinary machinery to avoid unofficial disputes and the disciplining of individuals; tightening up on lateness and sickness; and making workers do different jobs. As resistance to the introduction of new methods of production weakened, the implementation of new methods of production contributed to a further shedding of jobs and productivity increases. All this suggests that the trade unions and their members were in full retreat in the early and mid 1980's. However, the trade unions remained an important partner of negotiation over wages, manning levels, health and safety, and redundancy deals (Batstone 1984,1986;Terry1986). The attempt to domesticate social relations through trade union participation in the negotiation of order was at odds with the government's tutelage of macho-management. The most significant changes took place in the public sector where a rigorous strategy of confrontation won political benefits despite economic costs (Hyman 1989c;Batstone 1986). Private employers, by contrast, relied on the stability of labour relations, seen as a valued asset particularly "within an unstable market environment; _if_ key company objectives can be achieved without directly challenging established institutions of worker representation, there is no obvious rationale in provoking gratuitous conflict" (Hyman 1989c, p.191). 'Macho management' that was exercised by the state is, as yet, not typical in industrial relations. "The most publicised accounts of 'macho' management relate primarily to the public sector - where top management are on short-term contracts and where major losses give the government a controlling role" (Batstone 1986, p. 144). As shop stewards and trade unions agreed to managerial adaptations to the crisis, employers kept intact an important factor of legitimation inasmuch as management was able to secure acceptance to radical decisions of restructuring. It would appear that management used consultations with shop stewards as a means of impressing upon them the harsh realities of economic decline in an endeavour to achieve co-operation. "And there is indeed much evidence of a tacit trade-off: shop stewards acquiescing in a drastic diminution of influence within the bargaining agenda which is itself severely circumscribed, but retaining their formal representative functions unscathed" (Hyman 1989c, p. 191). By using the climate created through unemployment and a government of (cautious but determined) confrontation, employers have regained significant job control while protecting and maintaining their credibility in and through the persistence of strong trade union workplace organisation. This workplace organisation continued the trends of the 1970's, characterised by communication networks between management and shop stewards. The tutelage of macho-management by the Thatcher government exists, by and large, in contrast to a strong shop steward led organisation of the workplace in private enterprise (see Batstone 1986,1988; Terry 1986). "Facilities for shop stewards have not been substantially reduced; some (notably Batstone 1984) would even argue that they have increased" (Hyman 1989c, p. 191-2). Thus it seems plausible to suggest that shop-stewards exercise a not inconsiderable influence over traditional industrial relation issues at the same time as managements are "playing a balancing act between weakening aspects of the union role on the one hand while maintaining a degree of bargaining credibility on the other" (Terry 1986b, p. 173/4). Negotiation first and, in case of the break-down of negotiation, confrontational action remained the key feature of industrial relations during the 1980's (see Fosh/Littler 1985).

The economic costs of confrontation, including the cost of policing and the cost of preventing strikes from spreading (i.e. renewed subsidies as trade-off for compliance) caused the Thatcher government to overshoot its own monetary targets. The repressive use of monetary expansionism, while not contributing to the spread of the monetarist micro-economic view of desirability, helped, nevertheless, to create a climate of 'demoralisation and defeatism' (Hyman 1985b) that employers were ready to exploit. As government's policy of sound money turned, on the basis of mass unemployment, into a vicious law and order confrontation, it helped private employers to regain control over labour in production to an extent which had not been theirs for a long time. Lastly, the difference in strategy between private and public employers contributed to the fragmentation of the social conflict as the credibility of private employers remained protected because of a more moderate reassertion of the right to manage which contrasted to the ruthless imposition of domination in the public sector. Moreover, resistance was subdued for fear of a more aggressive response by employers. In the face of mass unemployment and recession, the acceptance of managerial objectives manifests a privatisation of a distinct workers' interest (i.e. secure employment), which, in turn, contributed to the fragmentation of resistance to the restructuring of production and the reassertion of political domination. All this permitted government to decompose the collective strength of labour through a ruthless impartiality of monetary and legal intervention, based upon the use of heavy policing as a means of imposing the obedience.

The attempt to reconstruct social relations on the basis of the market (i.e. money in command) fuelled social indiscipline on the part of those sections of the working class whose labour power was largely pushed to the fringe of the labour market. The doubling of unemployment in the early 1980's affected in particular the young whose muscles were no longer needed. Most of the young unemployed come from so-called 'racial' minorities (blacks and workers of Asian origin) (Gamble 1983;Dürr 1989). The unemployed who were faced with a despotic regime of welfare reductions, and who were not reintegrated into production when the cycle of accumulation reached its recovery phase, took to the streets in the early 1980's. A dozen major riots between 1980 and 1985 threatened the reconstitution of social relations on the basis of the unfettered operation of the market forces (3). The burning of cities at the depth of the recession, with unemployment climbing towards 3 million, saw the government denying any connection between public disorder and unemployment, discrimination and poverty. Instead, the Thatcher government argued that the problem was one of public disorder sans phrase (Gamble 1988; Kettle/ Hodges 1982), employing racist discrimination as a means of disorganising unrest and of stigmatising those involved as being immigrants in need of repatriation (Miles/Phizacklea 1984) (4). As the reconstruction of the market implied the imposition of a competitive cost price for labour power, arresting the threat to property implied a repressive monetary expansion that imposed the rule of the market through force. Alongside tight monetary control, social indiscipline was met with an array of repressive means which criminalised those who did not offer unconditional obedience to the austerity-based reconstitution of the social relations. Unlike Heath's attempt to arrest social conflict through an indiscriminate expansion of integration costs, the use of public spending under the Thatcher government involved a dramatic expansion of law and order control, safeguarding the subordination of the social to the power of money in and through the activation of powerful coercive means of reimposing the value form over the conditions of life. The imposition of tight money was designed to destroy the Keynesian relation between public expenditure and wages in favour of a law and order imposition of compliance to the 'dictates' of the market.

Heavy policing of industrial unrest and the preemptive expansion of new policing techniques was forced upon those at the bottom of the wage hierarchy. Police preparations for handling public demonstrations, including picketing, "have been forged on the backs of the black people; black communities, like Northern Ireland, have provided a testing ground for specialist police squads, equipment and tactics" (Gordon 1985, p. 162). Heavy policing practices worked, in retrospect, as a way of separating the ghetto from the organised working class, preemptively disorganising concerted and coordinated resistance. Coercive and racist disorganisation of class continued long established trends. As the organised left in Britain expected a major assault on the welfare state, the Thatcher government continued policies formulated under Labour, lulling the left into the belief that it had not much to fear. At the same time, the Thatcher government kept its pledge to be the party of law and order (Gamble 1988), enforcing a heavy handed law and order campaign against those at the bottom of the wage hierarchy. As the bottom of the wage hierarchy are constituents neither of the Labour Party nor of the trade unions, and since the forms of resistance of those marginalised from collective representation stand in contrast to the organisation of a distinct workers' interest (i.e. the channelling of protest into demand) as represented by the organised left, the selective law and order campaign exploited the division within the working class and undermined the homogeneity of class composition as an antagonistic force to the power of money.

New policing practices were introduced after the riots in the early 1980's. The riots were themselves largely due to repressive policing of mainly black communities. Policing focussed on the real possibility of public disorder in areas that were hit hardest by unemployment, low wages and deprivation (see Dürr 1989; Kettle/Hodges 1982) and that were, because of racial resentment, easy to separate from other sections of the working class. The preemptive use of heavy policing practices manifested itself in the use of stop and search practices. The heavy handed use of these powers is said to have sparked off the city riots in the 1980's (Bourn 1986;Scarman 1982). Stop and search surveillance was widely used in London between 1981 and 82, "in spite of the fact that a substantial proportion of stops was not justifiable within the terms of the law" (D. Smith 1986, p. 92). The use of stop and search policing was later codified in the 1984 Police and Criminal Act which buttressed established changes in legal form. Prior to this Act, 1.5 million stops were made by the police per year while the arrest rate was one out of twelve. In proportional terms, 91% of those stopped and searched were not arrested (Hansen 1986, p. 104). "A substantial minority of the population (16 per cent) had been stopped by the police once or more often in the previous 12 months, but certain population groups were far more likely to be stopped than others: within certain groups, the chance of being stopped was well over 50 per cent, and a high proportion of these groups had been stopped several times in that period" (D. Smith 1986, p. 92). Those most likely to be stopped were the young people, men and, in particular, young men of West Indian origin (ibid.). Stop and search, legitimised as crime prevention, created crime and hence criminals in the eye of the law because of the arrestable offence of assaulting a police officer (Cox 1986). The arrestable offence of assaulting and obstructing a police officer presents a resource for coercive and preemptive community policing, a resource which is itself created by the preemptive use of force. The increase in notifiable offences in Wales and England, which rose by 37.9% between 1979 and 1984 (Benyon 1986, p. 3), is partly due to the artificial creation of offenders through the stigmatisation of poverty in black and Asian communities as entailing potentially criminal behaviour ('black crime and mugging': Miles/Phizacklea 1984). The trend towards 'military policing' or, in other words, overtly coercive imposition of domination, was furthered by government's encouragement of tougher sentences for offenders. The Criminal Justice Act of 1982 introduced a new framework of custodial sentences for offenders under 21, while the Police and Evidence Act of 1984 increased the aggregate time for which a suspect can be held to 96 hours (Zander 1986, p. 131). The monetary decomposition of class relations was processed through the use of law and order policing legitimatised as a means to securing the paradigmatic right of property. The Thatcher government's law and order campaign permitted thus the recomposition of class in terms of property owner and citizen, a recomposition that asserted itself in and through the preemptive use of force.

Alongside heavy policing, government introduced, following the review of the riots of the early 1980's, new policing practices of law and order control. These practices continued the transferring of policing practices from Northern Ireland to mainland Britain (Whitaker 1987). Elite Special Patrol Groups existed in every major City in the late 1970's (ibid.). The review body of policing practices, coordination, and crowd control, furthered the 'paramilitary policing' (cf. Gordon 1985) of law and order problems: centralisation of police coordination and rationalisation of police measures as a means to combat public disorder (ibid;Kettle 1985); introduction of riot units and riot training for all police forces (C. Lloyd 1985); and rationalisation and standardisation of equipment, especially riot gear (Manwaring-White 1983). The development of a semi-military, unaccountable riot force within the ranks of the English and Welsh police (C. Lloyd 1985;Fine/Millar 1985) involved the stigmatisation of resistance to declining living standards, the intensification of labour, the loss of jobs and the erosion of welfare as entailing a criminal offence. The expansion of repressive means of domesticating the working class required costs. These costs were not provided as a means of recuperating economic insecurity of a vast number of people but, rather, to discipline the aspirations of the working class on the basis of tight monetary control of living standards, indicating the Thatcher government's determination to impose over the working class the abstract equality of money in command, whatever the costs. The imposition of the rule of money involved domestication costs that government was willing to commit as an investment in 'economic freedom', i.e. the harsh enterprise culture of non-coerced exchange on the market. The government's law and order campaign confirms the centrality of a repressive use of public expenditure.

Alongside the use of new policing practices, the city riots sparked off individualising forms of legal and monetary control in the form of government training schemes. The city riots manifested the disruptive power of labour, undermining government's attempt to contain the working class on the basis of the unfettered operation of the market forces (i.e. money in command). Social unrest made it impossible for the government to control the unemployed on the basis of the deregulation of labour markets alone at a time of rising unemployment. While the state, in the wake of the real possibility of an international collapse of credit and speculative pressure on the national organisation of money, could no longer pursue the ideology of full-employment growth, the regulation of labour markets had to take a different form. The political regulation of the unemployed had to obtain within a policy of monetary constraint and had to induce forms of control without reinvoking full-employment policies. The recomposition of the working class posed the political problem of how to impose work and law and order without compromising the imposition of the limits of the market over the working class in the form of tight money. The resurrection of the MSC training schemes provided the costly solution. During the first Thatcher years, the MSC was under severe monetary constraint as its budget was cut and as it seemed poised for abolition altogether (Gamble 1988). Public disorder provoked the regeneration of the MSC. As, in the face of disorder and threat to property, non-intervention in the labour market was politically unfeasible, the creation of a powerful, expansionist and increasingly centralised body by far outweighed in urgency the cuts in public expenditure, contributing to the permanent overshooting of the government's monetary targets. However, the MSC is more than just a training agency. Fundamentally, the MSC developed as an agency of social control (Leadbeater/Lloyd 1987;Benn/Fairley 1986) whose 'make to work schemes' (Clarke 1988a) offered cheap and casual labour to enterprise. The government training schemes impose control through work discipline, supervised by law. The attempt to domesticate labour's disruptive power through imposed work caused higher public spending the use of which was not designed to secure employment and to alleviate hardship. Rather, monetary expansion was overtly oppressive as it entailed the imposition of poverty in and through forced labour under the penalty of benefit withdrawal, i.e. 'economic conscription' (Gray 1988). The MSC training schemes will be analysed below when discussing the recomposition of the welfare state.

In short, government's attempt to control the money supply through the institution of the MTFS not only reinforced capital liquidation and mass unemployment but provoked also industrial unrest and public disorder. In turn, social resistance forced government to commit itself to subsidise industry, to maintain standards of public services and to initiate one of the biggest state organised training programmes. The social conflict in the early 1980's forced government to make material concessions so as to contain class struggle. "Despite the government's anti-state rhetoric, it had presided over a steady rise in the level of state expenditure, both absolutely and as a proportion of the GNP" (Clarke 1988a, p. 165). The overall level of welfare spending increased in the face of mass unemployment, while the government imposed cuts wherever possible. Despite overshooting its monetary targets, the expansion of the money supply was repressive in form, imposing hardship and economic insecurity and diffusing social resistance in a way which fragmented the working class: subsidies to maintain employment and wages associated with the reassertion of the right to manage in production and the privatisation of a distinct workers' interest (i.e. secure employment) and forced labour for others. The use of monetary expansionism entailed a monetary decomposition of class relations and the recomposition of class in terms of property owners (i.e. privatisation of interest) and citizens (i.e the law and order campaign based on racist overtones and directed against those at the bottom of the wage hierarchy). In the face of racist discrimination and heavy policing, these repressive, individualising and demobilising 'peacekeeping' costs caused recurrent overshoots of the monetary targets proclaimed as necessary in order to resolve economic decline. Government was not able to control the money supply within its predetermined margins, nor was it able to secure economic recovery.

-Slump in productive activity and the presence of labour in and against capital

With its MTFS, the government intervened in the financial solidity of productive capital. As productive capital faced a monetary decomposition of its financial solidity, the foundation of accumulation, i.e. speculative credit expansion, was turned into a threat of insolvency. In the face of a deep recession, productive capital was shorn of access to easy credit, contributing to an increase in the the rate of capital devaluation and liquidation (see above). At the same time, high interest rates made it possible for banks to absorb heavy losses without defaulting. Responding to the reimposition of the limits of the market in the form of the power of money, employers slashed investment and employment. The costs of the monetary squeeze on the productive activity in the British national economy are now legendary. While the balance of payments showed positive results in the early 1980's (Tomlinson 1986), the output and growth rates of the British national economy declined sharply compared to other OECD countries (ibid.). The sacrificing of production and labour on the altar of money threatened to deepen the relative decline of the British national economy vis-á-vis its main competitors on the world market. Despite deteriorating balance of payments in manufacturing, the balance of payments improved. It improved because of North Sea Oil (Keegan 1984;Gamble 1988), allowing the pound to remain grossly overvalued. The appreciation of the pound squeezed profits sharply (see above).

The government's attempt to reimpose the power of money did not succeed in eradicating the speculative dimension of accumulation. To take up S. Pollert's (1982) argument, the more innovative capitals were severely punished, if not on the verge of bankruptcy, because of the high cost of outside financing and the long amortisation periods of fixed capital that was difficult to realise as competitive pressure was superimposed through monetary pressure. However, Pollert is wrong to assume that productive capital was simply starved of necessary funds, as companies borrowed heavily to survive the recession. While "domestic manufacturing contracted, ... the financial business of the City boomed as did many leading industrial companies whose operations were now international" (Gamble 1988, p. 126) and whose operations were increasingly integrated into the financial sector. The high cost of credit led companies to slash investment and to increase borrowing from international financial markets to maintain solvency and cash flow. The maintenance of solvency through increased borrowing involved the containment of labour's productive power on the basis of a renewed demand for recycling credit, permitting an increasingly speculative dimension of productive accumulation. Government had no power to contract the money supply as a "good proportion of the monetary system is not effectively within the control of the state monetary authorities" (Sutcliffe 1983, p. 87). While government could force the domestic supply of money, it had no such powers over the movement of world money. While monetarists celebrated the deregulation of financial markets as a condition for the unfettered operation of the market forces, the effect of deregulation contradicted the practice of containing the money supply. High interest rates stimulated international portfolio diversification and deregulation of financial markets enhanced capital mobility as well as the venturing of speculative capital into new markets. In the face of internationally unregulated money markets, the attempt to regain control over the money supply turned thus into a discriminative reimposition of the power of money. The policy of tight money reasserted the limits of the market over productive capital unevenly, through scarce and costly credit. The more advanced capitals were able to draw financial resources from international finance markets, escaping, to some degree and under the penalty of the high cost of credit, the monetary squeeze on their solvency. It was weaker capitals that were under threat of insolvency. Increased borrowing from international finance markets contributed to an explosion of the money supply, causing monetary targets to overshoot. The targeting of the money supply was, to some extent, a 'presentational device' (Thompson 1986, p. 30), without having to specify the likely employment and liquidation consequences, behind which could be conducted a deflationary squeeze on less profitable producers who lacked the means to acquire credit from international financial markets. However, the overshooting of government's monetary targets "did not mean that the government was preaching monetarism while practising profligacy, because a major cause of the overshoots was the much larger than expected slump its tight money policies produced" (MacInnes 1987, p. 65). The explosive growth of the money supply, rather than increasing productive investment rates, sustained the speculative dimension of accumulation as enterprise borrowed in order to stay in business.

While the City reacted unfavourably to the explosive growth of the money supply (Clarke 1988a), the simultaneous rise of interest rates neutralised adverse effects on the City and maintained a grossly overvalued pound sterling. On the other hand, the City itself contributed to the explosive growth of the money supply as industrial and commercial companies raised £11 billion pounds from banks in 1981 alone. The Bank of England lent over £2 billion to companies in 1980-1 and £4 billion in 1981-2 (D. Hall 1983, p. 36,42). Further, government itself contributed to the overshooting of its monetary targets by providing subsidies to coal, steel and BL. Public finance was channelled to industry, exceeding the amount of subsidies the NEB was allowed under Labour during the 1970's (D. Hall 1983;Thompson 1986).

Rather than regaining control over the money supply, the MTFS contributed to a slump in productive activity while intensifying the speculative dimension of accumulation in ever more fragile form. None of the so-called key economic indicators (M3; PSBR; rate of inflation) showed any signs of improvement in the face of a dramatic deterioration of productive activity. The overshooting of monetary targets contributed to persisting inflationary pressure (Thompson 1986;Tomlinson 1986). The destruction of productive capacity intensified the financial crisis of the state through the erosion of the fiscal basis and through increasing claims on national reserves by nervous financial markets. In turn, the state and employers were forced to borrow themselves out of financial difficulties, thus helping to generate an explosion of the money supply. Persistent inflationary pressure reasserted the need to tighten monetary policies which intensified the vicious circle of default in the face of global depression.

Further, the improvement of the valorisation prospects of money capital through high interest rate policies triggered also a potential collapse of international debt as creditors in so-called third world countries found it increasingly difficult to service debt through deflationary attacks on their working class. This development forced Mexico to declare insolvency in 1982. High interest rates in, inter alia, the US and the UK attracted speculative capital and restricted credit resources from entering into debtor countries. Instead Eurodollars transformed from means of purchase into means of payment, a claim on cash payment that, in turn, exists as a claim on cash from the central banks in metropolitan countries. Because of the overexposure of the big banks, there was a widespread fear that if a country defaulted, it might precipitate an international banking collapse because of the interconnection between banks. At the same time, there was no international lender of last resort, permitting pressure on nation states to act as lender of last resort through their reserves. The coordinated effort by central banks, including the Bank of England, to avoid a break-down of international credit relations through short-term loans to defaulting countries added pressure on reserves, undermining attempts to regain control over the money supply and to fend off speculation on national currencies through larger reserves. The deregulation of international financial markets of 1971/3 involved a high price for capital in that marginal disturbances, i.e. social resistance to deflation and law and order control in so-called debtor countries, imply major problems of international stability. The sharpening of the debt crisis by 1982 threatened to undermine the international composition of order. The fragility of the international order of domination in the early 1980's expressed precisely labour's collective power as capital was forced much further into debt and as it became increasingly clear that a rigorous imposition of money in command (i.e. debt enforcement) would provoke a further deterioration of productive activity and intensified class confrontation.

The attempt to rectify the crisis of accumulation by a policy of scarce money reasserted the primacy of the substance of value, i.e. exploitation, in a negative way: the devastation of productive accumulation. The sacrificing of labour and productive capital did not resolve the crisis of accumulation but, rather, accentuated the crisis from the monetary side of the one process of value. High interest rate policies transformed the overliquidity of money capital into a shortage of loanable capital that was getting scarce and expensive. While the banks were able to absorb heavy losses, productive accumulation was severely depressed, precipitated by the reimposition of the power of money and precipitating a possible collapse of the financial system itself through credit default, domestically and internationally. The meaningless and elementary form of capital exists only in and through exploitation. As monetarist policies sacrificed production and labour on the altar of money, the international credit relations started to crack, threatening to take with them the international composition of order. Within the international adoption of monetarist policies, the devastating impact of the MTFS threatened to undermine productive accumulation in a way which precipitated a deep crisis of international credit through debt default. This development expresses the constitutive power of labour: the presence of labour in and against capital. Productive accumulation has to succeed in order for money capital to be sustained, while the failure to turn credit into effective command over labour reasserts, for productive capital, the market-limits of profitable capital realisation: insolvency and bankruptcy are the forms that the presence of labour in an against capital then takes. At the same time, the default of productive activity threatens to bring about a collapse of credit relations, upon which social relations themselves rest. In order to sustain the most elementary, and meaningless, form of capital, labour and productive capital need to be sacrificed so as to make it possible for banks to absorb heavy losses without default, while the sacrificing of surplus value production to money destroys the basis in and through which the money power of capital exists. This development was consequent upon the reassertion of the primacy of the substance of value over the meaningless, but elementary, form of money. The reimposition of the power of money sacrificed exploitation which alone creates the value that constitutes the power of money as a commanding social incarnation of wealth. The monetarist attempt to contain overaccumulation by making credit scarce and expensive threatened to bring about a collapse of the circuit of social capital owing to the default of credit, that is, the default of the claim on future surplus value upon which social relations rest. In order to avert the collapse of credit, the sacrificing of productive activity involves, fundamentally, the reimposition of the money power of capital over the working class. However, the attempt to enforce debt over the working class through intensification of work and deteriorating standards of living failed, as markedly expressed by the projected massive collapse of international credit-relations. Credit exists as a claim on future surplus value; the imposition of money in command entailed the attempt to eradicate debt through effective command over labour so as to realise credit as means of payment. The massive default of producers and the default of international credit expresses the failure of this attempt. Within the international failure of monetarist policies to contain the disruptive power of labour on the basis of debt enforcement, the MTFS reproduced the contradictions of capital as the default of productive activity implied a default of credit, despite the reassertion of managerial control over labour in production.

-Drop in Public Revenue

Despite severe cuts in public spending by November 1979 and 1980 and the imposition of cash limits over local authorities and the institution of the welfare state, government was unable to control public expenditure. Rather than regaining control over public expenditure, government presided over a rise in the PSBR (5). The Thatcher government presided over a steady increase in public spending both absolute and in proportion of the GNP (see Gamble 1988;Thompson 1986)(6). Indeed, since the mid 1960's, the only time a large fall in the ratio of government spending occurred was 1975-7 (see Burton 1985). Continuing public indebtedness made it impossible for government to deliver incentives for capital in the form of sustained tax cuts, as pledged in 1979 (see Gamble 1988). Cuts in taxation were postponed as, in the face of economic decline and a deteriorating balance of trade, public borrowing soared. Tax cuts were postponed because of the inflationary and speculative pressure these cuts would have provoked, as, indeed, had been the case when in 1979 tax cuts boosted inflationary pressures. In the first years of the Thatcher government the tendency in both taxes and public expenditure was up (Mullard 1987). "As the crisis persisted 1981 saw the largest increase in taxation in British history, taking taxes as a proportion of the GDP to the highest level ever recorded, as the government sought to relieve pressure on interest rates by bringing down its borrowing" (Clarke 1988a, p. 163). Fiscal redistribution favoured overwhelmingly the better off as the richest 7% of the tax payers received 43% of the tax cuts (see MacInnes 1987, p. 84), while the tax burden as a proportion of GDP rose from 39% in 1979-1980 to 47% in 1982-3 (ibid. p. 67). By "1984 only families earning more than £34,145 per year were paying less tax than in 1979" (Esam et.al. 1985, p. 125). In the face of high interest rates, public debt increased the burden of debt service on public expenditure thus contributing to the overall growth in public expenditure. "By 1983 the burden of both direct and indirect tax were higher than under the previous Labour Government and public expenditure as a percentage of GDP had also increased" (Gamble 1986, p. 194). The more monetarist policies in the early 1980's preached and practised financial restraint, the more they relied on credit; the more monetarist policies sacrificed labour and production, the more fragile the international credit-relations; and the more monetarist policies proposed the free market in opposition to the state, the more they relied on traditional methods of finance (i.e. tax increases and credit). By 1983, the only economic measure that showed signs of improvement was the rate of inflation which subsided to under 5 per cent (Gamble 1986, p. 194), achieved at a high cost. The improvement as regards the rate of inflation needs to be seen in the context of rising productivity. Productivity rose because of the liquidation of unproductive producers and employment falling more than output.

In sum, government found it impossible to control the money supply and to reduce the overall burden of public spending. Tax cuts were a 'realistic' option only if public spending could have been reduced, thus making it possible to reduce the overall burden of taxation without simultaneously provoking a rise in inflation. As the UK had economic power neither to increase exports sufficiently nor to finance its soaring public expenditure, public finances were in a complete mess, however much this was smothered by North Sea Oil. The decline of the British economy expressed itself in a deterioration of the balance of trade. The Thatcher government was faced with the problem of how to regain control over public finances other than by raising taxation without simultaneously triggering inflationary and speculative pressure.

-Defaults and shift in emphasis

Despite government's pledge to deliver tax cuts, it presided over an overall increase in taxation. Despite its aim to deliver cuts in public expenditure, it presided over an increase in real terms. Despite its claim to make the economy leaner and fitter, it presided over one of the worst economic recessions as the imposition of money in command reasserted the constituting power of labour in and through a massive default of credit as claim on future life. Despite its claim to control the money supply, its targets were consistently exceeded. Despite its aim to restore international confidence on the financial markets, international credit relations were on the edge of collapse by 1982.

By 1981, Thatcher was the most unpopular Prime Minister since the start of such records (Schwarz 1987). The survival of the Thatcher government depended on the restoration of sustained accumulation domestically and internationally. Alongside the Malvinas/Falklands war in 1982, the Thatcher government repealed, in its 1982 budget, the MTFS and adopted a more flexible fiscal and monetary policy (Gamble 1982). This shift in emphasis was made possible by Reagan's monetary expansionism which helped to absorb the debt crisis of the 'third world' by reconciling a pyramid of debt with a deficit financing of accumulation. The shift in emphasis is indicated also by the adoption of privatisation as a means of reducing the PSBR. Privatisation came to the fore as an explicit strategy in 1983 (Tomlinson 1986;Gamble 1988).

The 1982 budget relaxed monetary policies considerably. The monetary target M3 was practically abandoned - it was formally abandoned in 1986 (see Gamble 1988) - as a wider range of complementary monetary targets were introduced (see Thompson 1986). At the same time, fiscal intervention, in line with the remedies of supply side economics (7), gained importance over monetary targets (see fiscal reforms in 1986,1987,1988)(8). These redistributing exercises were made possible by the relegation of tight monetary discipline in the US and the financing of public expenditure by methods other than increasing debt. The abandonment of monetarist macro-economic policies of sound money relaxed the inflexibility of the MTFS. By 1987 there was nothing distinctively monetarist in the economic policy of the Thatcher government (Gamble 1988). Instead, discretionary fiscal and monetary intervention gathered momentum. "Such discretionary interventions have little to do with the enthusiasm of monetarists for the rule of governed policy making" (Gamble 1982, p. 15). Confronted with its results, it was monetarism which went overboard. Or rather, monetarist 'household economics' (cf. Keegan 1984) went overboard, while the financial conservatism of monetarism remained. Credit-sustained accumulation, while ridiculing monetarist economic ideology, was of fundamental importance for the monetary de- and recomposition of the working class, i.e. the reconstitution of social relations on the basis of abstract equality. After the disaster of the MTFS, the government used Keynesian techniques to sustain accumulation.

However, the aim was not to encourage high levels of employment and economic growth but, rather, to restore financial stability. Such a priority involves the tightening up of the hierarchical composition of domination so as to maintain "a control strong enough to maintain formal exchange equality between economic agents" (Gamble 1988, p. 33). The relaxation of monetarist policies involved the reconstitution of the circuit of social capital on the basis of deficit financing. The renewed debt financing of accumulation involved the acknowledgement that the only consistent way to contain the productive and disruptive power of labour is sustained accumulation. The attempt to integrate labour into the capital relation involved pacification costs in the form of a global expansion of debt, integrating the productive power of labour in the form of the fictitious dimension of capitalist reproduction.

By 1983 "the worst of the recession had passed as the world economy was moving into a recovery phase of the cycle, under the impact of expansionary policies in the US" (Clarke 1988a, p. 164). Profitability was restored at the cost of mass unemployment, mass devaluation and liquidation of capital. Management had succeeded in asserting new controls over labour and wages had been restrained. At the same time, consumer expenditure increased, driven forward by a fall in personal savings (Clarke 1988a) and a growth in consumer credit (Berthoud/Kempten 1990). At the same time, an overvalued dollar improved exports to the US. Additionally, the deregulation of financial markets made it easier for enterprise to sustain production through easy credit (*The Guardian* 2.8.1990). Finally, a strong pound provided multinational companies "with the opportunity to acquire overseas assets on very favourable terms, more than making up for the devaluation of capital through the liquidation of unprofitable domestic operations" (Clarke 1988a, p. 164). Lastly, the government provided fiscal incentives for investment and subsidies to industry. As the overvalued dollar increased exports into the US, the improvement in the terms of trade, higher productivity and reduced inflationary pressure, indicated that the 'economy was moving in the right direction'. To this end, government allowed "the pound to fall by 14 per cent, relieving the pressure on profits and interest rates" (ibid.), while financial deregulation increased competition within the banking sector, permitting advantageous loans to corporate, and private, customers.

In 1983 and 1987, the Thatcher government secured re-election on the basis of a Keynesian pre-election boom within a tight monetary framework (see Clarke 1988a)(9). With the relaxation of monetarist policies, domestically and internationally, the reimposition of the money power of capital shifted from an indiscriminate imposition of tight money over capital, the state and the working class to a discriminative one: i.e. expansionary credit and fiscal policies sustaining capitalist reproduction and the enforcement of debt over the working class. This step acknowledged the constitutive power of labour, but in a way which is oppressive: the imposition of economic freedom over the conditions of life, subjecting the working class to tight monetary control. The guarantee of formal exchange equality on the world market involves the political attempt to guarantee the convertibility of credit into means of payment. Such a guarantee entails the regaining of control over public expenditure because the stability of international debt depends on the capacity of the multiplicity of states to act as lender of last resort, a capacity which depends on the eradication of balance of payments imbalances and financial stability (i.e. bigger state revenues). However, in the UK, resistance to deflationary attack had caused higher public spending, militating against financial stability. The imposition of economic freedom (i.e. the lurid face of equality) over the conditions of life had to be financed without triggering inflationary pressure and without increasing deficit financing of repressive integration costs. The imposition of social passivity through tight monetary control had to be financed without the state recommitting itself to the transformation of protest into demand. The decomposition of labour's disruptive power had to be invoked without putting pressure on the exchange rate and without provoking costly and damaging strikes, deflecting popular dissatisfaction with the government's attack on living standards by fragmenting and dividing popular unrest. The stability of growing debt rests on the capacity of the state to decompose class relations.

Alongside credit-expansion and fiscal explosion, the straitjacket of monetary control was not lifted for the population at large. "The rationale of economic policy, insofar as it had one, was now the more pragmatic rational expectations theory" (Clarke 1988a, p. 163). This shift in emphasis involved the attempt to reassert social control through the systematic eradication of institutional forms identified with Keynesian class collaboration. With the failure of the MTFS, "inflation was no longer the result of an excessive increase in the money supply, nor unemployment the result of government policies. Inflation and unemployment were now both the result of the excessive power of the trade unions, reinforced by the indiscriminate generosity of the benefit system that subsidised strikes, reduced competition for jobs and allowed three million people to chose unemployment rather than engaging in productive work" (ibid.)(10). What matters about markets is not their outcomes but the fact of free and uncoerced exchange. Justice (i.e. the Keynesian ideology of social reform) consists, now, not in outcomes but in non-coercion, and in markets we find uncoerced exchanges. The accumulation of wealth arises out of individual non-coerced exchanges, only these exchanges are morally legitimate and just. The formidable challenge to the economic assumption of 'Keynesian planning' involved the market-led attack on the ability of the working class to command a living standard 'incompatible' with the non-coerced exchanges. The non-existence of any decisive economic policy made the trade unions, the form of the state itself and the 'unfettered' aspiration of the working class the scapegoat for the failure of monetarist economic policies (see Schwarz 1987; Clarke 1988a). The pledge to 'kill Socialism in Britain' (cf. Thatcher, *Financial Times* 14.11. 1985, as quoted in Schwarz 1987, p. 145) replaced the MTFS with a policy designed to impose, "with a ruthless impartiality, the rule of money and the law" (Clarke 1988a, p. 163), recomposing class, in a polarising way, "on the basis of the categories of property owner and citizen" (Clarke 1990b, ms. p. 31). Following Hayek, collectivity became construed as thousands of individuals whose coordination was to be achieved through the information given by the market. The pledge to kill Socialism depended on sustained, albeit uneven, accumulation so as to undermine the collective existence of class, i.e. to undermine the existence of class as class. The decomposition of class entailed the eradication of the Keynesian acknowledgement, in institutional form, of the political strength of the working class and the recomposition of class not in the form of a coporatist collective, as during the 1970's, but, rather, in form of the market individual. The attempt to reconstitute the social on the basis of the market could not attack the working class head on but needed to be based on the disorganisation of the working class so as to reinforce and, thereby, to (preemptively) undermine possible collective resistance. The disorganisation of the working class required a monetary expansion of repressive domestication costs. The failure to contain labour's disruptive and productive power through the institution of the MTFS increased reliance on windfall revenues so as to control public spending without provoking inflationary and speculative pressure and so as to decompose class relations on the basis of the unfettered operation of the market forces.

These windfall revenues were discovered 'by accident' (cf. Gamble 1988) in the privatisation programme. One of the principle means in the planning of the budgets was privatisation (Veljanovski 1987). Privatisation served as a substitute for cutting spending as a whole (Tomlinson 1986)(11) and provided government with its populist ideology (Clarke 1988a). Privatisation permitted the recomposition of class in terms of property owner and citizen through the encouragement of small shareholding. Privatisation fuelled the ideology of popular capitalism in which the enterprising individual participates in the market, including its dangers of collapse. Privatisation "enabled public expenditure levels to be maintained, and even increased in 1986/7, while at the same time making tax cuts affordable" (Gamble 1988, p. 123). Privatisation fuelled the stock market boom and provided windfall profits for subscribers and "promised to free management from restrictions on the diversification and internationalisation of the enterprise imposed by legislative, administrative and financial constraints" (Clarke 1988a, p. 165). The flotation of public corporations did not provide a competitive edge to enterprise but fuelled the monopolisation of markets.

Privatisation is widely regarded as part of the monetarist attempt to eradicate Keynesian forms of economic planning. Following the neo-liberal prescription, privatisation is seen as a simple mechanism that allows the "free choice and competition within the rule of the market" to flourish as it "will not only produce an efficient economy but guarantee better than any other system the greatest liberty for the individual" (Veljanovski 1987, p. 46). While privatisation was a means to destroy the remnants of the Keynesian welfare state, it allowed a cash flow into the public purse, allowing the government to reconcile rising expenditure with its aim of reducing both taxes and public borrowing (12). While privatisation helped to finance public expenditure, it provided, at the same time, a means of recomposing class in terms of the property owner, endowed with the right to participate in the world of finance. At the same time, increased public spending did not involve the loosening of the recomposition of the welfare state in terms of repression and efficiency. Rather, increasing public expenditure was used as a means to control the imposition of financial scarcity. Public expenditure was used as a means to break-up the collective power of labour in favour of the individual market agent. The stability of Keynesian policies in a monetarist framework of money as command depended on the imposition of social passivity, on the intensification of work and deflationary attack. In the face of mass unemployment, the credit-sustained boom made possible the fragmenting and individualising imposition of the power of money over the working class. While parts of the working class gained during the boom, the vast majority of the population did not. While those the boom did not pass by experienced relatively secure employment and rising wages, those the boom did pass by were subjected to individualising and repressive forms of monetary and legal intervention.

-Decomposition of Class and Privatisation

The increase in public spending during the 1980's was situated in a tight monetary framework, permitting the undermining of the Keynesian attempt to transform protest into demand in favour of the attempt to transform protest into poverty supervised by an array of repression. The imposition of money in command involved the selling of the family's silver ware, overturning the Keynesian ideology of economic planning in favour of the planning of a divisive disorganisation of class relations on the basis of the category of the property owner. In turn, the disorganisation of class relations involved the refetishisation of social relations on the basis of the market, undermining collective forms of provision in favour of the enterprising and daring market individual. The stability of the market-led destruction of class relations depended, in formal terms, on particular inputs, i.e. employment and rising living standards for some sections of the working class. After 1982, the reconstitution of the circuit of social capital on the basis of debt and speculation contributed to the integration of particular sections of the working class into Thatcherite market individualism.

The privatisation measures originally undertaken to alleviate pressure on the PSBR "came to be seen as a way of extending share ownership" (Gamble 1988, p. 138). Government offered public enterprise at levels below the market price and encouraged, thereby, widespread participation in shareholding. Additionally, government encouraged the growth of shareholding "through specific tax concession", while it also "raised the thresholds on capital gains tax and capital transfer tax, while reducing the upper tax bands on higher incomes and on investment income" (ibid.). The number of individual sharehoders increased from three million in 1979 to nine million in 1987 (ibid.). Despite a growing number of small shareholders, the overall proportion of shares held by individual shareholders declined in comparison to institutional shareholders (see Gamble 1988;Bassett 1986;Kavanagh 1987). The absolute increase of small shareholders after each privatisation fell shortly afterwards: from 2.3 million on the sale of British Telecom in 1984 to 1.6 million in October 1987, for example, from 4.5 million on the sale of British Gas in 1986 to 3 million (October 1987); and from 1 million on the sale of British Airways in 1987 to 400,000 (October 1987) (Sturm 1989, p. 50). The creation of an enterprise minded republic of property owners involved a responsibilisation of the working class to the forces of the market, i.e. the free economy that is said to ensure generous gains if the individual reacts positively to the impulses given by money. Participation in 'casino capitalism' not only involved the subordination of small savers and investors to the fragile movement of world money; it involved also the pacification of discontent through the privatising forces of the market whose operation might involve real gains or disaster. Private property in the form of shareholding defined the working class as a complex number of market individuals who are subject to the monetary impulses. The pacification of the social through individualising forms of benefits and values permitted a polarisation of the working class into property owners on the one hand and the victims of credit-sustained accumulation on the other.

The populist appeal of privatisation is in evidence also in the government's housing policy. Under the Conservatives, expenditure for housing was reduced markedly (Mullard 1987;Ball 1982,1985). Council house policy was assigned "to a 'welfare net' role" (Ball 1982, p. 62), a development which speeded up existing trends. Although the government announced increased spending for council house-building, these increases had to be financed by extra revenue from council house sales. This 'exercise in political window-dressing' (cf. Ball 1982) contributed to an overall increase in public expenditure on housing without, thereby, relieving the basic poverty of provision (Ball 1982,1985). Additionally, the government introduced, in the face of unemployment, low pay and local authority rent increases, several cuts in the means tested provision of housing benefit (Esam et.al. 1985, p. 106), thus encouraging, through tax and mortgage reliefs and the selling of council houses at knock-down prices, the better off to buy their own council house. The government's unspoken strategy was to force a shift from public to private provision by pushing up public sector rents, by selling off public housing at low prices and by reducing public housing subsidies. These savings were more than neutralised by increased subsidies to private home ownership (Mullard 1987). Private sector housing was subsidised more heavily than ever before, while capital spending on council houses was cut back considerably (Murie 1987). Alongside rising subsidies, government increased the discount rate of council house sales for sitting tenants from 50 to 60% in 1984 and to 70% in 1986 (ibid.). Alongside the deregulation of financial markets and of credit-controls as well as the venturing of speculative capital into new markets, the relaxation of monetarist policies involved encouraging the supply and demand of consumer credit, including mortgages. Additionally, the government granted mortgage interest relief and "improvement grants, capital gains tax exemptions and cheap public land sales to speculative builders amongst other items" (Ball 1985, p. 17). These concessions go mainly to high-rate income tax payers and discriminated against home occupiers at the lower end of the wage hierarchy who are faced with debt problems. After the election in 1983, the government increased the maximum "mortgage qualifying for tax relief from £25,000 to £30,000, a policy of benefit to only 9 per cent of borrowers, primarily those on higher income" (Esam et.al. 1985, p. 107). Government justified higher public spending for private housing as a subsidy that is required to instantiate economic freedom (13). In the event, "council house sales over the past few years now mean that over 60% of British households are owner occupiers" (Ball 1985, p. 15). The expansion of private property ownership through council house sales "was the most successful and symbolic of all the Government's policies" (Gamble 1988, p. 138). The privatisation of home ownership coincided with an active erosion of remaining council housing stock.

By putting emphasis on private ownership, housing inequalities increased as those on low income, the unemployed or unwaged, or families that do not conform to the small, nuclear family form, were excluded from ownership while the declining provision for council housing implied deteriorating standards and living conditions. On top of deteriorating standards, council house rents increased substantially (Murie 1987), as did debt arising from rent problems. By the end of the 1980's, about 16% of tenants (about 1 million of the country's households) were having problems with rent payments (Berthoud/Kempson 1990). On the other hand, those who bought their council houses committed themselves to debt. The commitment to debt imposed the necessity of not endangering employment and, as such, provoked a privatisation of interest so as to preserve newly won property rights against the ultimate penalty of eviction in case of debt default. The selling-off of council houses manifested a recomposition of class in terms of property owner, overridden by the threat of eviction in case of debt default. Privatisation of housing produced quite general problems. In addition to rising problems with rent, 3% of people buying their home, according to the findings of the Policy Studies Institute (Berthoud/Kempson 1990), were experiencing mortgage repayment problems in 1989 - a figure that has presumably increased with the subsequent rise in interest rates. Private debt problems indicate that the monetarist attempt to reconstitute social relations on the basis of the limits of the market has faced grave difficulties. Monetarism developed two faces: an unregulated expansion of credit and the attempt to deflate the money supply through an abrasive attack on the working class. In the face of financial deregulation and an ever decreasing value of welfare benefits, credit was a way of sustaining living standards. While the MTFS involved the enforcement of debt, the relaxation of monetarist economic policy within a tight monetary framework involved the encouragement of debt, which works as an individualising form of oppression. The disruptive power of the working class to resist the imposition of tight money is expressed in the enormous increase in private debt. Private credit-expansion expresses the power of the labour to frustrate the enforcement of debt, However, this power has manifested itself in a way which is oppressive. The growing number of people now struggling with intractable debt difficulties is the mirror image of the explosion in consumer lending which has taken place over the past 10 years. Oustanding household debt (not counting mortgages) has more than trebled since 1981. At £46.9 million, it now consumes 14% of disposable household income (Berthoud/Kempson 1990). The use of law and order in the Conservative's second term in office coincided with the recomposition of class in terms of the property owner of debt.

Growing private debt is the mirror image of the government abdicating collective responsibility for services, reducing the rates of provision and increasing taxes and charges. The recomposition of welfare in terms of efficiency involved, in regards to housing, a shift in emphasis between private and public housing, implying a new relationship between the state and the private sector, in particular the role of building societies in public housing (Murie 1987; Ball 1985). The abdication from collective provision blurred the difference between public provision and private enterprise. The transfer from public to private provision concerned not just housing, but ranged from education, health care to travel (privatisation of bus companies) and pensions. The encouragement of private provision implies "that individuals (or families) participate in the new order through their autonomized consumption of benefits and values" (Jessop et.al. 1988, p. 177) (14). While the credit-sustained boom provided benefits, it did so in a way which discriminated against those who could not participate either by buying their council house or by acquiring status as shareholders. The tightening-up of the welfare state was in part administered by the local authorities who are the main distributors of social services. The selling-off of council houses had major implications for local authorities as housing policy became more centralised as central government became more interventionist (Murie 1987). However, in the face of deteriorating public services, public opposition to, and effective political campaigns by local authorities against, deteriorating public services in the areas of health and education proved to be successful in forcing the government not to apply the same privatisation measures. While the strategy of privatisation proved extremely successful in forcing a shift from public to private housing, it was a failure in the areas of health and education. The government responded to resistance to its health and education policies "by introducing financial and administrative reforms, ostensibly to increase efficiency and democratic accountability, but in fact as an attempt to deflect popular dissatisfaction with the government's parsimony, and to fragment and divide popular unrest" (Clarke 1988a, p. 166). The government sought to confine welfare provisions within the limits of centrally imposed financial and bureaucratic constraints. At the same time, the government sought to decentralise the administrative structure within the public sector. While it deregulated the administrative structure of social services, and while it sought to orientate social provisions on the basis of financial decentralisation, the government pursued a policy of active erosion of services through a policy of systematic underspending. The erosion of services involved a divisive orientation of health care in proximity to the market. The emphasis on market effectiveness, involves an attempt to make health care a tradeable commodity. Commodification involves performance indicators in the NHS that are "often measures of activity not of outcomes. A workload measure like 'occupied bed day' shows improvements through the practice of 'hot bedding', the rapid turnover of hospital bed occupancy" (Kaser 1988, p. 41). The emphasis on commercialisation and effectiveness, legitimised as enhancing consumer choice, reiterates, in repressive form, the discourse of individual rights and preference. Government's 'value for money' approach rests on the ability to pay, i.e. on privilege. Individual choice amounts to the segmentation of the 'social' on the basis of financial ability, involving the subordination of the working class to the forces of the market that equate the social and the power of money.

The attempt to reorientate health care towards to the market involves the state in abdicating collective responsibility for services and provisions in favour of private health care. The financial erosion of services coincided with the introduction of mandatory competitive tendering in the NHS in 1983. Mandatory competitive tendering affected mainly those workers who had been at the forefront of industrial action during the winter of discontent and the health workers' strike in 1982 (catering, laundry, cleaning). "The 'winter of discontent' had brought chaos to local authority and NHS services, and had convinced Conservative politicians at both local and national levels of the need to find ways to prevent such disruptions in future. The birth of contracting out, or more specifically the first use of it as a party political weapon, was imminent" (Ascher 1987, p. 25). While continuing social pressure had delayed the government's attempt to break up the homogeneity of the health workers, continuing pressure on wages and work conditions and the prolonged strike in 1982 had weakened resistance to the incursion of private contractors into the NHS. The lesson of the 1982 strike did not disappear from memory easily. As one official noted in mid-1984: the 1982 pay dispute "'knocked the stuffing out of us for the moment'" (Ascher 1987, p. 126, in reference to *Nursing Times* 30.5.1984). Competitive tendering resulted in a decline in trade union membership, job losses, reduction in wages and intensification of work. The government's attempt to destroy the relation between public expenditure and wages involved the deregulation of services which, itself, needs to be seen as a means of fragmenting resistance to the imposition of money in command. The government's strategy of creeping privatisation came to the fore as an explicit programme in the Conservative's third term.

The Thatcher government addressed the tightening-up of the institutional form of the state in terms of the market individual: i.e. consumer choice in opposition to so-called high spending councils, consumer choice in health care and education in contrast to collective provision. The treatment of class as consumer involves the orientation of welfare provisions on the basis of the market and the reconstitution of the social on the basis of the individual in contrast to the Keynesian acknowledgment of the strength of the working class in the form of collective welfare provision. The recomposition of the welfare state in terms of efficiency involved declining standards of public services, encouraging individuals to take out private health insurance and to move into private education. By aiming at orientating provisions on the basis of the market, access to provisions is, by implication, dependent on the financial ability of 'consumers' which, in turn, entails the supply of provisions on the basis of privilege, i.e. value for money. The recomposition of the welfare state involved thus a divisive attack on living standards. Under the Conservatives, the purpose of public spending was not to recuperate hardship, but, rather, to reinforce the shattering experience of unemployment through a financially restricted access to satisfactory provisions. The market-led attack on living standards is identical with the imposition of money in command, expressing the equality of market agents in relation to the abstract power of money. The imposition of money in command is identical also with the attempt to destroy the relation between public spending and wages. The increase in public spending did not involve a softening of the attack on living standards but figured, rather, as an expense which the decomposition of the institutional guarantees of collective provisions demanded, including the law and order supervision of possible cash control collapses. The safeguarding of the monetary decomposition of class conflict involved, fundamentally, the fencing off of possible resistance to the market-led restructuring of social relations and the imposition of the spirit of inequality so as to make feasible the recomposition of the form of the state on the basis of the global money power of capital.

Following upon the attempt to decompose class relations on the basis of the market, the Thatcher government's industrial policy contributed to a geographically uneven recomposition of production. Monetarist policies that had followed the belief that only a recession and rising unemployment could ensure the restoration of sound economic growth had failed. The belief surviving this failure involved supporting industry while intensifying the attack on the conditions of life. The last decade has seen a substantial increase rather than a decrease in industrial support (Thompson 1986). During the MTFS, non-intervention was neither economically nor politically feasible. Industrial support gathered momentum with the relaxation of monetary policy. Government sought to stimulate 'entrepreneurship' through direct communications with companies, attracting productive investment through subsidies and fiscal sweeteners (15). Huge subsidies to Nissan supplied not only financial resources, but indicated also the government's micro-economic view of desirability. Japanese organisation of labour was seen as desirable for the restructuring of production in the UK (see Dunning 1984;Oliver/Wilkinson 1988;Webster 1990). Further, government became more interventionist through its urban development policies which centralised regional development planning at the expense of local authorities. After 1983, central government retained a dominant role in urban and regional regeneration as part of its industrial policy. "The reduction of local government's powers and resources is paralleled by the creation of new, ad hoc agencies, tightly controlled from the centre, like Enterprise Zones and Urban Development Corporations - the small-batch, flexible specialisation approach to the inner cities" (Geddes 1988, p. 92;see also Lawless 1987;Goodwin/Duncan 1986; Duncan/Goodwin/Halford 1987). As the Department of Environment set the lead, local authorities could, at best, follow. The government's planning initiatives involved fundamentally the destruction of a particular area of social life in favour of a new enterprise culture of self-employment or small enterprises. In the face of financial pressure and an increasingly interventionist government, local authorities found their social space ever more defined by central government regulation upon which local authorities have no influence, while their power to resist was financially eroded through the imposition of tight money on local authorities' spending powers, and disciplined through the costs that the management of the poverty of the working class demanded.

However, industrial policy retained its financial conservatism as the government concentrated resources on the new technology sector, while financial assistance to the old heartland of heavy engineering remained low. The subsidising of new technology grew in importance after 1983. The funding of the Micro-Electronic-Support Programme, founded under Labour in 1978, increased to £120 million in 1984, after its revenue was initially reduced from £70 million to £55 million in the early 1980's (Thompson 1986, p. 186). The Thatcher government pinned its hopes for future prosperity on those sectors which were already internationally competitive, on new technology and on parts of the service industry which could be traded internationally. The remainder was placed at the mercy of the market. The attempt to secure economic growth across industry was abandoned. Selective industrial policy reinforced the deindustrialisation of the heartland of manufacturing (see Esser 1986;Esser/Hirsch 1989 for a comparison with West-Germany). This policy reinforced politically the decomposition of the working class; the geographically uneven restructuring of production pushed the old heartland of manufacturing to the margins, while the South-East moved into the centre of industrial activity.

New manufacturing plants opened up in smaller centres of population, often in greenfield sides. The geographical pattern of restructuring sought to exploit the division within the working class by making redundant those sections whose productive power could no longer be contained within the concept of profitability and by imposing work on those hitherto largely marginalised from big industry. The geographical pattern of restructuring is "directly related to industrial relations, since almost all the trends in economic change seem to be away from areas where unions are fairly strongly organised to areas where they have been weak. Moreover, when such restructuring is accompanied by an environment of high unemployment and government hostility to union organisation this could be expected to worsen problems faced by unions" (MacInnes 1987, p. 73). Labour employed in these areas was less familiar with trade union traditions. The workforces which trade unions seek to recruit in new plants, mainly in the South, are those which were difficult to unionise in the past either because of lack of employee interest or employer opposition. The old integrated section of the working class in the areas of what has become the rust belt of the British economy found itself marginalised through unemployment while the countryside turned into the centre of the new productive drive. The recomposition of productive activity hit the heartland of trade union organisation. Devaluation and liquidation of capital and mass unemployment reduced trade union membership (Batstone 1986;Kastendiek 1988), and undermined working class determination to resist restructuring as unemployment struck and marginalisation loomed. The "destruction of a quarter of all jobs in manufacturing" (Hyman 1985b, p. 115) caused widespread peripheralisation and impoverishment in the old trade union strong-holds in contrast to the South where employment is relatively high and trade union membership relatively low. However, despite the absolute fall in union membership, union density is still higher (Batstone 1986) than in the early 1970's (Batstone/Price 1983). The geographical recomposition of production has had considerable repercussions for the disintegration of the working class. Upon the geographically uneven recomposition of productive activity, the encouragement of shareholding and owner occupation superimposed individualising forms of working class pacification, imposing the spirit of inequality through a selective access to the benefits and values generated by the boom.

In the following sections, attention focuses on government's anti-trade union policy and its contribution to the decomposition of class relations on the basis of a market-led attempt to destroy the relation between public expenditure and wages. There then follows an analysis of the decomposition of class relations through the institution of the welfare state, including MSC training schemes and the centralisation of financial control over local authorities.

II Trade Union Policy

The government's approach to trade unions was one aspect of its policy which displayed a systematic approach from the beginning. What government denounced, after 1982, as 'excessive trade union power' was already severely bruised and battered during the industrial conflict in the early 1980's. The trade unions were under severe pressure in the face of mass unemployment, declining membership, the devastation of the old heartland of trade union organisation, policies of exclusion, and an intransigent public employer. Further, the recomposition of the system of industrial relations continued trends of the 1970's as the trade union organisation was largely by-passed in favour of shop-steward led bargaining (Batstone 1984, 1988;Terry 1986;MacInnes 1987,1989). "The shift from the long-established manufacturing habit, in most strongly unionised workplaces, of communicating with employees only through the shop-steward structure, has proceeded further during the 1980s" (Hyman 1989c, p. 190). In the face of diminution of rank-and-file pressure, the trade unions were in full retreat long before the Thatcher government picked them up as scapegoats for the failure of the MTFS (see Schwarz 1987;Clarke 1988a).

Upon policies of exclusion and confrontation, the government superimposed legal constraints which buttressed the shift in the balance of class forces that materialised during the defeats in the early 1980's. The general direction of these Acts was to shift the meaning of 'consensus' from reaching compromise with government within institutionalised patterns of negotiation of order to unquestioned obedience to political domination. The Thatcher government had learnt the lesson that surrounded the failure of the Industrial Relations Act in 1971 which had aimed at changing industrial relations through legal intervention. The trade union policy of the 1980's aimed first at shifting the balance of power and then at imposing new legislation upon trade unions (Soskice 1984). Labour laws on their own are not sufficient to tie the unions down, as the Heath government had discovered. The lesson learnt was that the law cannot force a shift in the balance of power but that such a shift had to be fought for by weakening working class resistance through unemployment and policies of confrontation. Further, the labour legislation of the 1980's did not codify particular standards of workplace trade unionism. Instead, it restricted the range of lawful conduct, openly encouraging employers to use legal means to reassert the right to manage (S. Evans 1985). The reform of trade union laws provided legal support for employers without thereby determining the precise form industrial relations should take. It was the responsibility of the employers themselves to modify industrial relations as they saw desirable and appropriate (Kastendiek 1988). Although employers remained largely rooted in an, albeit restricted, collective approach, and used legal means only when negotiation had broken down, the reform of trade union law "contributed to the climate, already created by mass unemployment, of trade union demoralisation and retreat" (Gamble 1988, p. 116). While the ideological attack on trade unions pointed to a greater role for the individual in opposition to the bureaucratic machinery of the trade union organisation, the effect of the labour laws was to tighten the grip of trade unions over their members. By implication, legal restrictions on lawful conduct involve the subordination of collective interest representation to the limits of the law, permitting law and order control to enforce compliance with statutory requirement. The responsibilisation of trade unions to the law reaffirms the denial of political involvement as trade unions are forced into unquestioned compliance with penal law. The government's authoritarianism, witnessed in its decision to deny trade unions broader political involvement, involved the reassertion of the role of trade unions as managers of discontent within a tight and legally constrained composition of order.

Since the Donovan Report, whose "central proposition ... was the existence of 'two systems' [industry wide negotiation and workplace bargaining] of British industrial relations" (Hyman 1979a, p. 56), governments have sought to formalise and tighten collective bargaining. The social contract expressed in institutional form just such a strategy. The labour legislation of the 1980's did not challenge the proposition of the Donovan Report. The policies of the 1980's involved a change in strategy. The government's trade union policy involved the reassertion of trade unions' policing powers over their members through the coercive restrictions of immunities, ballot requirements and punitive sanctions in form of financial liabilities. The labour law of the 1980's involved a responsibilisation of the trade unions through legal reform and monetary pressure, permitting a pacification of discontent through the enactment of penal law. While the social contract rested on the recognition of the strength of the working class in the institutional form of class collaboration, the policies of the Thatcher government involved a definition of trade union organisation as representing a particular group in industry, depending on the prerogative of the individual employer. Alongside the government's labour laws, the strengthening of the individual vis-á-vis the trade union organisation, the use of penal law and heavy policing of disputes reasserted government determination to eradicate trade union representation beyond the direct relation between employer and employees. All these restrictions entailed pressures on trade unions to develop into business organisations (Bassett 1986). Further, the government's anti-trade union policy involved the monetary decomposition of the class relations as, alongside the exclusion of trade unions from broader political involvement, the legal restriction of trade union activities permitted the individualising reconstruction of social relations of the basis of the market. The reconstruction of social relations on the basis of the category of the property owner entailed the reinforcement of trade union representation of a particular section of the working class, i.e. those whose bargaining strength was not broken during the 1980's, precipitating a systematisation of the working class into different sectional groups (i.e. employees versus 'claimants'). Lastly, the government's anti-trade union policy involved the attempt to decompose class relations on the basis of the strong and able, permitting the state to abdicate collective responsibility for welfare services and to destroy the relation between public expenditure and wages. The attack on trade unions involved, fundamentally, an attack on the form of the state itself. After World War two, the presence of labour in and against capital was recognised in institutional form by the generalisation of industrial relations and corporatist forms of class collaboration on the basis of the Keynesian attempt to transform protest into employment guarantees and demand. The political strength of the working class was expressed in the institutional advances of the trade union movement. The attempt to get the trade unions out of the state and to enmesh them into a legal structure of penal law exemplifies the attempt to enforce the rule of money through law. The government's anti-trade union policy involved the attempt to close off oppositional space through penal law, through the professionalising of industrial relations and the provocation of strikes so as to undermine, preemptively, possible organisational strength. As the bargaining strength of particular workers was not broken, the government's anti-trade union policy contributed to the recomposition of class on the basis of the category of the property owner. This decomposition of class relations permitted the disorganisation of class conflict through the divisive imposition of the money power of capital. Before analysing this point in more detail, attention focuses on the government's labour legislation, the politics of the miners' strike and the disintegration of the trade union movement (new realism).

In the face of an hostile Conservative government, the enactment of anti-trade union legislation was met by a divided TUC. The conflict between trade unions and the state was displaced into a conflict within the movement itself. Faced with anti-trade union legislation and declining trade union membership, individual trade unions sought to protect positions of influence and organisational strength by accommodating to the political challenge. The division crystallised over the question of how to react to government, "for example between those like the then General Secretary of the TUC, Len Murray, who argued for a 'new realism' approach to the changing climate, and others like Ken Gill, General Secretary of TASS, who argued that the movement should exclude itself from all tripartite bodies such as NEDO, ACAS and the MSC" (A. Brown 1988, p. 14). This development increased the divide within the TUC whose involvement continued to be restricted by the Thatcher government (16).

-Labour Legislation

Despite offensive rhetoric, the EA 1980 was a rather modest measure. The EA 1982, in spite of a tougher line taken by Tebbit, was more cautious than widely expected (A. Brown 1988). The Trade Union Act 1984 (TUA 1984) went considerably further than any of the previous Acts. While some provisions were overtly presentational in character, others intensified existing development trends in aggressive form. For example, the provision of secret membership ballots shifted, in the face of trade union retreat, from a voluntary (EA 1980) to a statutory requirement (TUA 1984). The TUA 1984 sought to tie the unions down by imposing ballots before strike action. The trade union legislation was "very much a step-by-step approach, a classic example of incrementalism" (Kavanagh 1987b, p. 12).

Taken together, the Acts "hold union officials as individuals financially and legally accountable for a wide range of unlawful activities, ...; severely restrict the institution of the 'closed shop'; expand the ability of owners to dismiss strikers and union officials; and remove legal immunity from unions ... who authorise otherwise legal industrial action without meeting specified balloting procedures" (Krieger 1987, p. 179). The new legislation reinforced the shift from 'voluntarism' to legal intervention, a shift which was at issue at least since the late 1960's. 'Voluntarism' never existed as such because industrial relations have always oscillated between state intervention and voluntarism (Wedderburn 1985). Trade unions never enjoyed the right to strike. Instead, strikes were safeguarded by 'immunities' from civil law with which the trade unions were endowed since the beginning of the century. The laws of the 1980's restricted these immunities rather than abolished them (ibid.). In the event, the Thatcher government not only sought to delegitimise and challenge previously sanctioned working class demands (e.g. full employment, industrial democracy, social policy) but, also, removed immunities and legal safeguards on trade unions who are the crucial organisation for voicing and representing these demands. The labour laws expressed, in legal form, a denial of the political influence of trade unions. With its labour legislation, the Conservative government shifted radically from the policies of consensus during most of the past century (Hyman 1987;Coates/Topham 1986).

The Employment Act 1982 (EA 1982)

The EA 1982 was put through parliament at the same time as government relaxed its monetary policies. The EA 1982 went considerably further than the EA 1980 (Hyman 1987;Strinati 1985). "The scope for lawful industrial action was narrowed yet again, almost to the point of extinction; while ballot requirements were extended to existing closed shops, and individual workers were enabled to obtain substantial damages from unions if dismissed in 'illegal' closed shops" (Hyman 1987, p. 97). Closed shops have to be re-approved every five years (Perrins 1983). Concerning closed shops, employers seemed to operate pragmatically, with the notable exception of the Stockport Messenger dispute in 1983 and the News International disputes in 1986-7. "Closed shops have for the most part survived unscathed" (Hyman 1989c, p. 192).

The EA 1982 severely limited the right of trade unions to strike and to picket. The Act declared that the employers involved in the dispute have to be the direct ones and that disputes have to be wholly related to the conditions of employment (Clark/Wedderburn 1983). This restriction strengthened the provision of the EA 1980 as it made it easier for employers not to appear as the direct object of the dispute. Further, lawful strikes have to be genuinely "industrial rather than political" (Perrins 1983, p. 290), making strikes against e.g. privatisation unlawful even if the political issue is jobs (17). However, the EA 1982 did not provide a conclusive distinction as between genuinely industrial and political strikes. The decision of the Court of Appeal in 1982, concerning the strike by the post office engineering union against the plan to privatise parts of British Telecom when the licence for telephone serivces was to be sold to Mercury Communications Ltd., put an end to this openness. The strike was judged to be primarily politically motivated and for this reason unlawful (Clark 1985). Further, strikes to enforce trade union recognition in other enterprises are outlawed, as are strikes aiming at preserving work demarcations (ibid.). Additionally, participation in picketing was restricted to the employees of a particular employer. Workers made redundant are hence not allowed to participate in strike action, if the dispute is to be lawful, even if the strike concerns their reinstatement. The 'punishing of the unemployed'

(Clark/Wedderburn 1983) restricts the individual rights and protection offered by the Labour legislation of the 1970's. Lastly, the EA 1982 makes it easier for an employer to break a strike without attracting liability for unfair dismissal. An employer "can issue an ultimatum that he will dismiss all strikers who remain out on strike after such-and-such a date. He can now lawfully discriminate by allowing back to work any strikers who wish to return before the ultimatum expires, and by sacking only those who remain on strike after that date". In the face of financial pressure and increasing private debt during the 1980's, this provision encourages strike-breaking, putting the consistency of strikes in danger. Further, an employer "can attempt to divide the workforce against itself by treating different establishments differently: he can sack the strikers in one factory without giving the workers at his other factories a right to complain of unfair dismissal. The prohibition on discrimination lasts only three months. After that time, the employer can reinstate whomsoever he wishes with impunity" (Perrins 1983, p. 294). This provision makes it easier for an employer to weed out 'undesirable' elements of his labour force, permitting a decomposition of working class organisation at the shop-floor through the loss of key workers.

The restriction of lawful disputes was damaging because of the financial penalty involved: unions were made financially responsible for damages if a strike is found to be unlawful. This provision represents an enormous financial threat. The maximum fine a union with more than 100,000 members faces is £250,000. However, the Act allows more than one court action by employers affected by unlawful strikes. Additionally, if trade unions are found guilty of contempt of court, they face further fines and risk the seizure of their assets. The NGA, in its dispute with E. Shaw (Stockport Messenger) in 1983, was fined about £500,000 for contempt of court, followed by the seizure of over £1 million of its assets. The assets were returned to the NGA after it had recalled its pickets and apologised to the court. In July 1984, the court ruled that the NGA had to pay £125,000 plus interest, as well as court costs, to Stockport Messenger (Clark 1985, p. 172;see also McIlroy 1988). In the case of an unlawful dispute, the union has either to persuade its members to go back to work, or it has to distance itself from the dispute in such a way that there is no doubt left about the union's sincerity. Violating these requirements would make trade unions liable for damages. High Court injunctions have, in lots of cases, resulted in a call back to work (Clark 1985). These legal and monetary restrictions accentuate the role of trade unions as managers of discontent. At the same time, trade unions' compliance with the law may foster the alienation of trade unions from their members.

The EA 1982 put trade unions into a precarious legal position. While trade unions were denounced as coercive power groups that undermine individual freedom and disregard the civil right of a worker not to belong to a trade union and not to participate in its so-called restrictive practices, the removal of immunities and legal safeguards involves the strengthening of trade unions as industrial watchdogs. The EA 1982 involved the subordination of the trade unions to capitalist state power as unions are forced, under the penalty of financial liabilities, to discipline unlawful strike action (e.g. by recalling pickets). The imposition of law and order, i.e. the imposition of unquestioned compliance with the law, involves the professionalising, depoliticising, and strengthening of the disciplinary role of trade unions. While the social contract manifested in institutional form the disciplinary role of trade unions in exchange for income and employment guarantees, the government's labour legislation articulates the attack on working class demands for full employment and welfare, for example, through a repressive intervention that involves the imposition of social passivity through trade union compliance with penal law. The professionalising and formalisation of industrial relations concerns the requirement of legally sound procedures and legal advice so as to make sure that strikes take place within the limits of the law. This professionalising devolves to the shop floor as trade unions need to manage discontent in a way which prevents a possible legal and financial backlash. The trend to professionalisation and formalisation continues trends of the 1970's in an environment defined by confrontation and unquestioned obedience. Further, the restriction of lawful strikes to matters concerning the immediate conditions of work denies almost any lawful coordination of discontent whose purpose might be defined as political (i.e. denial of political involvement in wider aspects of working class life). The restriction of immunities reinforces the division within the working class as a lawful strike is confined to the direct employment and direct work conditions. The fragmenting impact of this provision involves the concentrating by trade union organisation on those directly employed by the employer who faces strike action. The legal promotion of workplace trade unionism involves the official definition of class conflict as a sectional dispute in industry. The discourse of civil rights, which lay behind the enactment of the EA 1982, manifests a repressive disorganisation of the class struggle that had undermined the social contract.

The Trade Union Act 1984 (TUA 1984)

The TUA 1984 was passed in a rapidly changing climate: a vigorous imposition of law and order command over the miners, a call to defy the law by the TUC and a growing conflict within the trade union movement over new realism. By 1982, the trade union movement appeared to be united in its opposition to the law. A decision was reached at the TUC's special conference at Wembley in April 1982 to ignore, and hence to defy, the law. The conference "endorsed an eight-point programme which provided in particular that unions should not take part in closed shops ballots or accept public funds for balloting, and empowered the General Council to assist any union sued under the new laws and to levy affiliates to finance this" (Hyman 1987, p. 98). Whether or not the TUC itself should defy the law was left unclear (ibid.).

Unity and opposition to the labour law soon broke into pieces (Hyman 1987; McIlroy 1988). The Wembley resolutions proved to be hollow. "First the electricians' union and subsequently the engineers - ... - announced their intention to take the government subsidies" (Hyman 1987, p. 98). Prudence triumphed at the Stockport Messenger dispute in 1983. When the NGA, in line with the Wembley agreement, refused to obey the law, it was faced with a series of injunctions. The TUC expressed sympathy with the NGA and refrained "from jeopardising its own funds by endorsing the NGA's illegality" (ibid. p. 98). The development during the Wapping dispute was similar. As News International "carefully exploited the new laws to ensure that any union response would be unlawful", the "TUC offered its services as a mediator but ... steered clear of illegality" (ibid. p. 98). The NUM found itself in a similar position. The Wembley agreement failed completely. Though the rhetoric remained deviant, trade union opposition was moderate and the trade union movement overtly divided. The fragmentation of the trade union movement focused on the call to accommodate to the changing climate of the 1980's. The shift to a more conciliatory approach to government came to the fore at the 1983 Trade Union Congress (see Bassett 1986). Conciliatory unions demanded co-operation with the government of the day and obedience to the law. The conflict between the trade unions was successfully exploited by the Thatcher governments as can be seen by the isolation of the NUM during the miners' strike. Further, the TUA 1984 was situated in a climate in which some sections of the left came to accept the populist appeal of the repressive use of the democratic discourse, urging the trade unions, especially the NUM, not to defy the law.

The TUA 1984 "obliged unions to hold secret membership ballots in order to elect their executives, call lawful strikes, and undertake political activities" (Hyman 1987, p. 97). These provisions challenged the relation between the Labour Party and the trade unions (Grant 1987), and made disputes subject to democratic approval (S. Evans 1985;Mückenberger 1985) (18).

By employing, in repressive form, the discourse of democracy, the government presumed that individual workers might prove more moderate than trade union activists (Undy/Martin 1984) and that ballots might undermine workers' sense of collective identity and willingness to strike (Strinati 1985). However, behind the repressive attempt to strengthen the individual lurked the formalisation of trade union structures, their decision-making processes and the responsibilisation of trade unions to democratic scrutiny. The 'democratisation' of the trade unions manifested a one-sided intervention in the balance of power since it embroiled the trade unions in time-absorbing balloting procedures. The labour laws did not impose binding obligations on employers to honour bargaining agreements. The one-sided imposition of procedural rules made ad hoc reactions towards employers' decisions unlawful. The trade unions are legally obliged to engage in a lengthy process of campaigning and balloting. Such a process, in turn, can absorb emotions while employers gather time to prepare for disruption of production pro-actively through forward planning of production (overproduction of commodities; shift of production to other plants; stock-piling etc.). Non-compliance with balloting involves financial liabilities, if the respective employer sues the trade union for unlawful conduct and if the trade union is found guilty of misconduct. In the case of an unofficial strike, and in the case of a trade union distancing itself from such a dispute, the TUA 1984 makes trade union members and shop stewards, rather than union officials at national level, liable for damages (S. Evans 1985). If an employer reaches an injunction, the possibility is that it is targeted against key personnel, thus undermining the coherence of a strike (ibid.). Such a threat increases the dependency of workplace representatives on the trade union organisation for legal advice as well as financial and organisational resources for balloting.

The TUA 1984 encourages trade unions to control their members much more stringently. In case of unlawful strike action trade unions would be liable for financial damages although their control over their members might be disrupted. In the face of High Court Orders, trade unions would be forced either to distance themselves from the strike, reinforcing their alienation from their members, or to support the strike, inviting possible financial collapse. The attempt to force, by means of penal law, unquestioned compliance of trade unions with the law entails the trade unions in discipining industrial relations. On the other hand, in case of widespread acceptance of a strike in a ballot, the strike will have a democratic legitimacy that might well undermine the government's claim that it is the trade unions that coerce otherwise responsible individuals into irresponsible action such as strike. Further, ballot requirements put the preparation of strikes, as well as the strike itself, into a political perspective, involving trade unions in a propaganda campaign to gain popular support. Such a development might well frustrate government's attempt to depoliticise strikes (Hyman 1987).

The TUA 1984 furthers the professionalising of the relation between trade unions and their members as pressure grows to look to the union for both legal and practical advice and help, permitting the subordination of the workplace to the disciplining power of trade unions who are, in turn, anxious to avoid financial liabilities. The requirement to hold secret membership bal- lots integrates the shop-floor much more directly into the bureaucratic structure of trade unions. The populist appeal to give the trade unions back to their members entails a tightening up of trade union control over their members - all this in a framework which is defined by penal law and exclusion from political involvement. Monetarist ideology of the free individual coerced by trade union power is thus reversed as trade union power to manage discontent is strengthened through a legal and monetary restriction of immunities, permitting a decomposition of the ability of trade unions to use strikes as a means of voicing and representing demands for social reforms. Strinati's (1985) argument, according to which the new labour legislation was designed to give the trade unions back to their members, picks up on the rhetoric of the law, without digging deeper into its context. This is not to say that trade unions are not affected by the 'strengthening' of union members. In case of a call for strike in line with the legal procedures, the pressure asserts itself in the opposite direction as the trade unions have to ensure the agreement of their members if they want to avoid vindicating the government's stigmatising discourse and if they are to avoid adverse effects on existing positions of influence vis-à-vis management through its failure to reinforce its demands by mobilising its members. Such a possibility might well turn out make trade unions very cautious in using the stick of strike action. Both of the pressures mentioned entail an undermining of collective organisation through the legal and monetary reinforcement of a bureaucratic relation between trade unions and their members.

In the event, trade unions "have in the main revised their rules to comply. Ballots before official strikes have become common since November 1984 when Austin Rover [formerly BL] sued the unions involved in a dispute at its Cowley plant" (Hyman 1987, p. 99). The Austin Rover dispute indicates the possible disorganisation of social unrest the TUA 1984 might effect. All the nine unions involved called for strike action without a secret membership ballot. After Austin Rover had obtained a High Court Order, according to which unions were to instruct their members to go back to work until a ballot had been held, the EEPTU emphasised "its willingness to cooperate with the Court, ordered its members back to work and balloted them on the pay offer" (Coates/Topham 1986, p. 97). All the other unions, except the TGWU, succeeded in avoiding contempt of court by distancing themselves from the strike. The TGWU was isolated in its defiance and was subsequently fined £200,000 for contempt (ibid.). A further escalation was avoided by Austin Rover, possibly because of the miners' strike at the time. Whether or not the strike collapsed because of the court ruling or because of faltering support (ibid.) remains open to question. However, the use of legal provisions was beyond doubt an important device to divide the trade unions involved and to fragment the dispute (McIlroy 1988).

The TUA 1984 required unions also to hold ballots on their political levy to Labour. This provision contained a considerable danger for the organised labour movement as it challenged the financial solidity of the Labour Party and the political involvement of trade unions in the Labour Party. About 85% of the political funds collected by trade unions are paid to the Labour Party. Labour's financial position depends on these levies to the extent of about 80% (Grant 1987;Crouch 1982). Trade union involvement in the Labour Party is dependent on the political levy paid by individual trade union members. The appeal to individual freedom and preference threatened to reinforce the electoral defeat of Labour in 1983 through its financial collapse (Grant 1987;Hain 1984), undermining the at times uneasy unity of the reformist left in Britain. The ballot over the political levy involved the possible destruction of the close relation between Labour and trade unions, entailing a narrowing of oppositional space through the threat of a financial collapse of Labour.

All indicators signalled a dramatic reduction in the political levy. However, the result of the ballots was a major blow to the government. Not only did all affiliated unions cast a positive vote for maintaining political levies to Labour, but also the number of individual members paying these levies increased. Additionally, unions hitherto not affiliated to Labour gained a vote to establish such links (Grant 1987;McIlroy 1988). The reasons for this outcome are manifold: inconsistencies in the law itself; inconsistencies in government's tactics; and a skillful campaign by trade unions (Grant 1987). The successful campaign over political levies strengthened the relationship between Labour and the trade union movement to a degree unprecedented since the winter of discontent. Labour and the trade union movement closed ranks on the basis of new realism. New realist thinking calls for compliance with the labour laws and involves the channelling of discontent into the ballot box.

Although the government's anti-trade union policy supported aggressive management policies, management remained largely rooted in an, albeit more restricted, collective approach. In spite of employers becoming accustomed to the use of the law in industrial conflicts (Hyman 1987), the persisting pattern is to negotiate first and to use the law after negotiations have failed (Fosh/Littler 1985; MacInnes 1989;McIlroy 1988). Circumstances which encourage the use of injunctions are the damages disputes might cause. However, there is a difference between bigger, more advanced employers, and smaller ones. More advanced employers have a far greater room for manoeuvre to accommodate their work-force than smaller, hard pressed ones. Injunctions are only the last resort for bigger employers while smaller ones took the risk of alienating their work-force and trade unions more readily (S. Evans 1985). "The law was most likely to be used where the strikers' lacked unity and were relatively isolated and uninfluential with union officials. The aim was often to demoralise strikes and restore official union control over a dispute. The law was increasingly considered as an option where industrial action put financial pressure on employers, rather than gaining financial redress" (McIlroy 1988, p. 92). Equally, the state held back from using the new possibilities provided by its own legislation, anxious not to provoke an escalation of disputes. This fear informed the Thatcher government's decision not to enforce discipline through the use the labour laws during the miners' strike. Rather, the government embarked on the use of criminal laws (Clark 1985; McIllroy 1985,1985b).

The government's trade union policy contributed to the tightening up of the hierarchical composition of political domination. The form of the state that developed in and through the class conflict of the late 1970's and early 1980's was no longer tainted with institutional forms of class collaboration. The reassertion of the right to political domination constitutes the state as an agenda setting force that defines, through legal means, the role trade unions are allowed to play. The paradigm of law and order, which characterises the legal and monetary disciplining of trade unions, involves the unquestioned compliance of the social with political domination. Trade union compliance with political domination involved, in turn, the definition of trade unions as a sectional interest group of a distinct workers' interest: those in certain employments. Legal and monetary attack on the trade unions entails the pacification and responsibilisation of a distinct workers' interest through the fragmenting reassertion of the policing role of trade unions. The labour laws involve an attempt to recompose class in terms of the law abiding citizen, the strengthening of which reasserts, in turn, the contradictory role of trade unions: the power for and over their members. In the face of demoralisation, retreat, a geographically uneven recomposition of production and the recomposition of social relations on the basis of the category of the property owner, the attack on trade unions reinforced the divisions within the working class. Collective representation was confined to those in employment, contributing to the disorganisation of the working class in terms of those the boom did and did not pass by. Rather than implying an abdication of state power, the reassertion of the right to political domination involved the systematic use of state power so as to make certain the reimposition of the individualising power of money that rested on the fragmentation of the collective organisation of class. This development is expressed in a shift in emphasis of the meaning of consensus from negotiation of order to the imposition of law and order: compliance, and no argument. Such a control had not only to be strong enough to confront and to defeat public disorder but, also, to provoke strikes so as to make possible the imposition of the abstract equality of money by preemptively undermining possible resistance to this imposition.

-Confrontation and Policing

The attempt to reconstitute social relations on the basis of strict compliance with the form of the capitalist state power, i.e. a government subordinating political discretion to the market, involved major confrontations with the organised labour movement. After 1983, major disputes involved the miners in 1984-5, the printers in 1986-7, the teachers in 1986-7 and the nursing unions in 1988. The miners' strike appeared at the beginning of the boom which saw the organised labour movement deeply divided over the issue of defiance and new realism. The miners' strike was provoked by government's announcement of drastic pit closures in early 1984 (19). The miners' strike lasted 11 months and was enormously costly for government. During the strike, the government reinforced the division within the trade union movement by awarding wage settlements to moderate unions (i.e. the electricians and the water and rail workers) over and above government's wage ceilings (Bassett 1986;Goodman 1985). The government bought off in particular the rail workers' pay claim so as to prevent them from giving more support to the miners (Goodman 1985). The strike ended with a complete defeat for the miners, "once they had been split and been successfully isolated from the rest of the Labour movement" (Gamble 1988, p. 116). Although the miners' strike slowed down the forces of new realism, this slow-down was only a temporary one as the government was able to isolate the miners and to inflict a heavy defeat. The success against the miners reinforced to the climate created in the early 1980's according to which defiance leads to inevitable defeat. The defeat of the miners brought home the message that accommodation was a means of survival. However, government's victory deprived it of its scapegoat because "trade union power had been so reduced that it could not be plausibly blamed for anything. The defeat of the miners, that was Thatcher's triumph, also deprived her of her alibi" (Clarke 1987, p. 423). The defeat of the miners resulted in a vacuum for confrontation. The teachers' and nurses' strikes filled this vacuum as, by 1987, it was the form of the state itself (education and health) that moved into the centre of attack (Clarke 1988a).

The miners' strike in 1984/5, similar to that in 1972, brought to the fore new policing practices. The strike was policed centrally through the National Reporting Centre (NRC) (20) at Scotland Yard. The NRC receives its policing orders from the Home Office and coordinates these orders to the local forces (Kettle 1985). The centralisation of policing by-passed democratic forms of accountability, precipitating what looks like a 'future national police force' (Gamble 1988), or a 'police army' (Morgan 1987;see also Kettle's (1985) more restrained comments). During the miners' strike, police powers were extended and old, almost forgotten, laws were brought into effect (Fine/Millar 1985). Policing powers were not brought into effect as a means of crime prevention but, rather, as a means of imposing government's view of desirability: social control, proclaiming the right to work over the right to picket. Legal means of law and order control were predominantly based not on the new powers given to the NCB by the labour laws of the 1980's but, rather, on criminal laws. The use of criminal laws stigmatised the miners' campaign for job and wage security as a criminal offence, an offence which defined the right to strike as offensive violence (McIlroy 1985b). The use of criminal laws "confirms negatively the centrality of the direct policing strategy to the state" (McIlroy 1985, p. 49). The aim of provoking and eradicating social disobedience to the government's view of necessity and desirability saw the Prime Minister declaring the fight against the miners to be a fight against the enemy within (Goodman 1985;Kastendiek 1985), thus stigmatising the right to hold, and to campaign for, a different opinion as a threat to national security. The miners' strike provided an opportunity for furthering the transfer of policing practices used in Northern Ireland to mainland Britain. "In the place of influence from elected representatives, we have seen a growing commitment to police autonomy, with the police becoming increasingly dependent on their own hierarchical and secret disciplinary structure and on bureaucratic control emanating from behind the closed doors of the Home Office" (Fine/Millar 1985, p. 13). Centralised policing was matched with phone tapping, interference with letters, plain clothes policing, provocation of violence and community surveillance (see GLC 1984). Restrictive policing practices eroded and by-passed the "independence of judiciary supervision of democratic accountability at local and national level", involving the "systematic violation of hard-won civil liberties and trade union rights" (Cousin/Fine/Millar 1985, p. 227). The coercive imposition of political domination implied tighter control over the local authorities to which the police is constitutionally bound. 'Paramilitary policing' (Fine/Millar 1985;Krieger 1987) and improved police equipment (i.e. riot gear and computerised supervision), together with the immense cost of policing during the miners' strike, not only severed the already tight financial position of local authorities; it also imposed policing directions on local authorities (i.e. policing of the community) which they might not see as appropriate and desirable. Increased influence over form, content and direction of policing is, following the Law Lords' decision, constitutional if national security matters are at stake, as allegedly they were in the case of the miners' strike. The Law Lords declared that "the sole judge of whether national security is at issue is the government of the day, which is to say of course the Cabinet, or to take the matters to the very centre of the spider web, the Prime Minister herself" (Whitaker 1987, p. 17). The miners' strike provided a test case for the breaking of dissent through a co-ordinated effort of intelligence operation and increasingly centralised and paramilitary policing, all of which criminalised collective organisation as constituting the enemy within who undermines the individual right to economic freedom.

Although the NCB hesitated to use the labour laws, they did not need to as working miners did this job for them (McIlroy 1985b;Goodman 1985). However, in the early period of the strike, the use of the labour laws was limited and largely defensive. However, the "legal tempo quickened as the back to work movement became significant for the first time" (McIlroy 1985b, p. 118). It was not before October 1984 that court rulings which declared the strike unlawful and/or unofficial resulted in heavy fines and seizure of assets (see Goodman 1985;McIlroy 1985b). Alongside heavy fines and seizure of assets, Scargill personally and the NUM itelf were fined for contempt of court. Following the dispersal of NUM assets, government called in the receiver. By October 1984, the combination of fines, seizure of assets and loss of organisational control threatened a financial and organisational collapse of the NUM.

The miners' strike indicates the extent to which government is prepared to go to disorganise collective organisation and to impose the discipline of the market through monetary, legal and coercive means of law and order combat. The reimposition of the rule of money over the conditions of life made necessary just such an imposition of law and order command so as to make certain the individualising and fragmenting imposition of unquestioned compliance with the limits of the market. The political provocation of the miners comprised the preemptive use of force as a means of undermining possible resistance to the monetary decomposition of the working class and its recomposition in terms of the law-abiding individual endowed with the right not to do certain things. The miners' strike brought to the fore the violence that the reconstruction of social relations on the basis of the market and of rights demanded. The contradictions of liberal trinity formula of 'democracy-rights-equality' were displayed. While the miners campaigned for the right of employment and living standards, the government's understanding of equality involved the imposition of the right of individuals to be equal to each other on the market. While the miners campaigned for the right to be able to work (i.e. secure employment), the government insisted on the right of the state to impose the right of a quite general interest: i.e. the right of property, that is, the right of non-coerced exchange on the market. While the miners sought to preserve their right to strike, the government sought to enforce the capitalist property, that is, the subordination of social reproduction to the reproduction of capital, the incarnation of which is the abstract equality of money. The political enforcement of this right involves the state in imposing 'communal interest'. While the term 'communal interest' implies the democratic legitimation of state action, the imposition of the communal interest involved the by-passing of democratic accountability. The contrast between the right to strike and the right of the state to maintain free, non-coerced equal exchange entails the imposition of the peaceful, civilised and democratic form of bourgeois society over the working class. In turn, the imposition of formal equality abnegates democratic forms through which equality and rights subsist. The use of force is the regulator between two opposing rights, the power of the working class to strike and the power of capital to constitute social relations on the basis of equality, democracy and rights. The interplay between different rights is the class struggle over the recognition of rights, involving the state in imposing the formal existence of social relations on the basis of the free and equal individual. The miners' strike involved the class struggle over the monetarist attempt to decompose the Keynesian recognition of the political strength of the working class to command the right to secure employment.

The miners' campaign for jobs and employment was a defence of the Keynesian relation between public expenditure and wages as well as employment guarantees. The attempt to destroy the relation between public expenditure and wages involved pacification costs that were not made available in the form of a selective monetary expansion, as during the social contract in the 1970's (see the Plan for Coal). Rather, these pacification costs were made available for the defeat of the political strength of the working class through policing. The miners' strike forced government to pay up for the containment of labour on the basis of a tight monetary regime. The pacification costs were used to finance the imposition of tight monetary control over the conditions of life through the use of force designed to break up collective forms of class organisation. The cost of the coercive decomposition of solidarity was seen by Lawson as a worthwhile investment for the good of the nation even in narrow financial terms (Goodman 1985, p. 6). The destruction of the Keynesian relation between public expenditure and wages involved overtly repressive pacification costs with which to enforce the abstract equality of money in command over the working class, i.e. with which to enforce the money power of capital as the incarnation of equality. While the repressive pacification costs militated against government's attempt to reduce the overall burden of public expenditure, the justification of these costs (i.e. you have to spend a lot to give people their freedom) acknowledged labour's disruptive power, i.e. the ability of the working class to defend the Keynesian constitution of the wage relation. By this I understand the Keynesian attempt to transform protest into employment guarantees (see above on government's subsidies to industry). In the view of the Conservatives, there is a categorical distinction between being free to do something (i.e. the constitution of the contradictory unity of surplus value in the form of the free and equal interaction of individuals on the market, wage labour) and being able to do it (Plant 1988). It is the latter which comprises the Keynesian attempt to transform protest into demand through the institutional guarantee of social reform or, in other words, through collective provision of resources and employment guarantees. The market based decomposition of class relations involved, fundamentally, the rejection of the Keynesian concept of 'freedom'. The attack on the miners involved an attempt to undermine the Keynesian constitution of social relations on the basis of a general expectation of rising living standards. The rejection of the conception of the Keynesian interventionist state involves the instantiation of economic freedom without the state's meddling in the unfettered operation of the market forces. The attempt to impose the equal face of economic freedom involves the state as a force that ensures that the individual freedom is not limited by coercion whether it is by individuals or trade unions. Freedom is valuable because it is a necessary condition of autonomy in the sense of the autonomy of the market, a condition with presupposes the law and order combat of dissent so as to protect people from coercion as well as to limit the coercive power of collective resistance in opposition to the destruction of the Keynesian connection between freedom and the political guarantee of resources. Whereas the stability of the social contract depended on the mobilisation of control by the organised labour movement, the 1980's saw a shift in emphasis from compromise between social partners to individualising forms of unquestioned compliance with the political power of the state. Instead of employment and income guarantees, however illusionary they might have been during the 1970's, consensus shifted to unquestioned acceptance of the reconstitution of social relations on the basis of the unfettered operation of market forces. The reassertion of political authority through repression and coercion confirms the change in the meaning of consensus. In the name of economic freedom and social equality, strict obedience to the form of the capitalist state involves the reconstitution of the social on the basis of the uncritical acceptance of the abstract equality of money in command. The uncompromising use of force which was forged in the ghettos of the cities and the miners manifested the emergency measures of a paramilitary combat of dissent.

The systematic extension of policing powers is in evidence also in the progressive use of all scientific advances which have "transformed the British police into one of the most technically sophisticated forces in the world" (Manwaring-White 1983, p. 213). The centralisation and rationalisation of the British police force was initiated by the review on the 1980's riots. The review had called for the introduction of measures that all police forces would take to handle future public disorder (Gordon 1985). 'Paramilitary policing in Britain' (ibid.) furthered the tendency to create something like a third force next to the police and army: a riot force (C.Lloyd 1985; Fine/Millar 1985) which is accountable to, and whose policing directives generate from, the Home Office. Behind all these developments, it was business as usual for the MI5 surveillance "of the peace movement, the unions, and even the national Council for Civil Liberties - along with the intriguing revelation in The Observer that BBC employees have for many years been officially, if secretly, vetted to weed out leftists and that the state broadcasting agency has a cosy working relationship with both MI5 and the intelligence service" (Whitaker 1987, p. 17). The novelty of policing in the 1980's lies in the explicit attempt to use it as a means of destroying the remnants of Keynesian class collaboration and to use law and order combat as a means of integrating the working class into the rule of the market. The coercive imposition of unquestioned compliance with the rule of the market and the state represents a fundamental shift in the role of the state from class collaboration to class confrontation. Confrontation, preemptive use of force and unquestioned obedience to the authority of the state involves a tightening up of the hierarchical composition of order. In contrast to Keynesian class collaboration, the reassertion of political authority is not based on formalised forms of negotiation and implementation, but on the choice either to accommodate to the 'dictates' of the market or to be confronted with a powerful display of force. In contrast to Keynesian class collaboration, the use of public expenditure was overtly repressive in form. The use of public expenditure involved the repressive display of state power in crushing the existing relation between public expenditure and wages, including employment guarantees.

Centralisation and extension of policing made the police a scapegoat for non-existing economic and employment policies. The politicising of the police continued long established trends (see E.P. Thompson 1980;Bunyan 1977) that came to the fore in the 1980's as an explicit strategy for reimposing political domination over the working class. Most aspects of the centralisation and the militarisation of law and order policing escaped public notice because these decisions were taken within the inner circle of the Home Office and the Cabinet (Cousin/Fine/Millar 1985). The secrecy surrounding these decisions expresses the fragility of equality itself, a fragility which was safeguarded through the violation of democratic procedures. The extension of policing powers was matched with an obsessive use of national security policies. Emergency precaution measures and secrecy gathered pace as an all-purpose excuse for crushing opposition, denying political representation and political accountability and covering up unlawful use of police surveillance, MI5 activities (see Whitaker 1987) and wrongful imprisonment. Alongside Northern Ireland, the obsession with national security was most clearly expressed during the miners' strike and in the decision to end trade unionism at Government's Communication Headquarters in Cheltenham in February 1984.

The extension and deepening of coercive forms of social normalisation is indicated by the planned increase in law and order spending and by the substantial increase in police pay, manpower and equipment (Gamble 1988). Additionally, several law and order Acts were passed through parliament which confirmed or, rather, legalised belatedly, the heavy use of policing powers during the city riots and the miners' strike. New law and order Acts gave the police more powers of stop and search, entry, seizure, arrest and detention, interrogation and identification of subjects (see the Police and Criminal Evidence Act 1984;hereafter: PCEA 1984). Additionally, the new powers legalised road blocks which had been systematically used during the miners' strike (see the PCEA 1984 and the Public Order Act 1986;hereafter: POA 1986). Additionally, the Prosecution of Offences Act of 1985 implemented a national prosecution service which uniformised and systematised prosecution procedures and sought to increase consistency of prosecution procedures. Since consistency can only be achieved by central guidelines, "it is too easy for such guidelines to be used for secondary purposes", i.e. through specific directives that "the number of small company fraud cases and cases under the employment and health and safety at work legislation is too high and small business are being discouraged" (Grenyer 1986, p. 233).

The PCEA 1984 increased policing powers either by extending existing legislation or by confirming existing practices. "But the Act does add a new element which is that it makes it easier for the police to carry out practices which were previously not enshrined in statute" (Hansen 1986, p. 111). The PCEA 1984 does not codify police powers entirely (Stone 1986) because the powers to stop and search, to arrest and gain entry and to seize are based on reasonable grounds of suspicion. This criterion cannot be properly supervised and ensured (D. Smith 1986;Hansen 1986) and provides, as such, a loophole for dirty tricks policing. The criterion of reasonable suspicion serves a role of putting "an acceptable face on practices we prefer not to look at squarely" (D. Smith 1986, p. 93). Other rules are enshrined in a code of practice that concerns safeguards against abuse of police power, allegedly unlawful police conduct etc. Since it is the police itself which deals with such investigations, the safeguards amount to a public relations exercise (Cox 1986; Hansen 1986;D.Smith 1986). Safeguards concerning the extension of powers to arrest (Stone 1986) and roadblocks (Hansen 1986) are non-existent. The POA 1986 gave statutory rights for crowd control and policing of demonstrations. These statutory rights might well "impose conditions, not only to prevent 'serious public disorder' but also 'serious disruption to the life of the community'" (Robilliard/ McEwan 1986, p. 259). The POA 1986 gave statutory legitimation to the aggressive breaking up of picket lines and occupation of miners' villages, as the police put into practice its riot training with their "helmets, shields, batons and cavalry, along with their military formations, snatch squads and organised violence" (Fine/Millar 1985, p. 13) as well as the use of their plain clothes agent provocateurs (Geary 1985). The POA 1986 allows restrictive policing practices if the police holds a reasonable belief, or if the police is given to understand that it has such a reasonable belief, that the purpose of the demonstration is "'the intimidation of others with a view to compelling them not to do any act they have a right to do, or to do an act they have the right not to do'" (Public Order Bill, clause 13 (1) (3), as quoted in Robilliard/McEwan 1986, p. 259). The wide discretion in the "interpretation of laws of obstruction, threatening behaviour and breach of peace" and the display of "great ingenuity in excavating old laws on watching and besetting riot" by the police during the miners' strike (Fine/Millar 1985, p. 13) was formalised, codified and legitimatised in the 1984 and 1986 Acts (Whitaker 1987).

The use of force was legitimated as a safeguard for the equal, free and democratic decision taking processes of individuals. The attempt to safeguard the right of property through the use of force involved the decomposition of the relation between public spending and wages in favour of the imposition of the market forces, permitting a recomposition of class in terms of citizen and property owner whose interest is safeguarded by law and order policing. As policing protects the law abiding citizen, the systematic use of force towards enemies within not only stigmatised particular areas of social life as violent. More fundamentally, the use of force involved the coercive pacification of the social to the laws of equality, that is the economic freedom to respond to the impulses given by money. This coercive imposition of the face of equality entails the disorganisation and fragmentation of the working class in and through the polarising impact of a boom sustained by credit. Law and order emergency measures reinforced the division within the working class as, in the face of mass unemployment, the boom vindicated the generosity of the unfettered rule of market forces. However, the preemptive use of force against the enemy within involves not just those on the bottom of the wage hierarchy, although heavy policing was mainly confined to these sections. Especially in the face of popular capitalism's republic of debt, the extension of emergency precaution measures signposts the uncertainty of the reconstitution of social reproduction on the basis of debt. The extension of coercive means of law and order control entails the impersonal disciplining of the working class, a control that, by implication, defines social activity as possibly subversive and criminal. The use of force, while contributing to the fragmentation of the working class, treats every citizen as equal, i.e. as equality in regards of the working class whose collective power exists as a possible obstruction to debt and its enforcement.

-New Realism

The organised left in Britain saw the defeat of the miners in 1985 as reaffirming the need to change the face of trade unionism so as to restore populist appeal and electoral success (Lloyd 1986;Carter 1986;Hobsbawm 1989;Communist Party 1988;for critique Peláez/Holloway 1990;Gunn 1988). New Realism involves, fundamentally, the reformulation of the 'realism' of the 1970's. Instead of 'realist' incorporation subaltern to national interest, new realism articulated the 'realist' compliance with the power of the state. Defiance and the use of industrial muscle is stigmatised as 'militant unionism' (cf. Lloyd 1986) which plays into the hands of the Thatcher government and undermines the socialist alternative presented by Labour. New realism accepts trade union organisation on the basis of workplace organisation. Instead of opposing and defying government, as suggested by the TUC's Wembley agreement, new realism accepts the reconstruction of the market as a means of sustaining unfettered economic growth which a future Labour government would use to redistribute wealth in a just and fair way. New realist thinking is part of the imposition of new realism itself, as the organised left seeks to accommodate itself to, and urges the acceptance of, the monetarist "articulation of the limits of state intervention" (Clarke 1987, p. 393). Heavy defeats in the early 1980's inflicted on the trade union movement a "degree of defeatism and demoralization reminiscent of the inter-war depression". The seeming "erosion of the will to struggle has been effectively exploited by many employers ... in appealing over the heads of the workplace union representatives to the employees as individuals. Fatalism in the face of the employers' offensive is doubtless reinforced by the limited success - or in the case of such groups as the steelworkers, the unqualified defeat - of those trade unions who have proved willing to fight" (Hyman 1985b, p. 116). New Realism is the result of defeat and an attempt to reconstruct forces by accepting the political contours of the dictates of the market.

The accommodation of the trade unions is, in its extreme version, most strongly connected with the EEPTU and the AUEW (see Bassett 1986;Longstreth 1988; Kastendiek 1988). New realist thinking urges the need to change trade union politics and to shift emphasis from representation to recruitment, a development that reinforced inter-union rivalry, displacing the conflict between capital and labour to one between unions (21). New realism can be described as "an explicit rejection of class-based industrial enmity in favour of mutually beneficial co-operation, pragmatically embracing social and technological change, resting (its) market based vanguardism on the aggregated assent of the individual" (Bassett 1986, p. 1-2). New realism contains three interrelated interests: to secure a safe working place for its members, to secure as far as possible 'conflict-free' industrial relations and to secure the interest of its own organisation (Kastendiek 1988). These aims are bound up with lots of different principles: single union companies; non-strike agreements; consent to flexible working; pendulum arbitration instead of strikes; removal of status hierarchies; participation rights etc... .

Despite the apparently small number of new realist arrangements (see Bassett 1986), it is of considerable importance regarding the restructuring of the state and the recomposition of production. Intensified competition between unions over membership strengthened the employers' power to impose new working practices and to choose which union to recognise. Recent examples concern Nissan in Sunderland and the NCB. When the NCB announced that it would consider negotiating with unions other than the NUM regarding the proposed superpit in South Wales, the leadership of the TGWU and the EEPTU, as well as the UDM, were reported as offering to organise the plant's miners and to accept, contrary to the NUM, the working conditions proposed by the NCB (see *Financial Times*, 24.6. 1987). The shift from representation to recruitment indicates the pressure unions found themselves under during the 1980's and the way in which they sought to accomodate.

New realism did not change government's approach to the trade unions. While new realism is "in a sense, ... what the Conservative Government had been pushing for" (Bassett 1986, p. 5), the government ridiculed conciliatory attitudes by banning trade unions from its spy centre at Cheltenham (ibid;Coates/Topham 1986) and by maintaining an intransigent policy towards the TUC, which campaigned for recognition by government. Attempts by the TUC to soften government's outlawing of trade unionism at its spy centre not only failed, but government responded the more hostilely the more the TUC softened its attitude. "It was Mrs. Thatcher's insistence, which seemed to grow firmer as the unions offered more and promised more, that the union ban would stand" (Bassett 1986, p. 10). Len Murray, the then TUC General Secretary, was forced to comment that "we have been trying hard to find out, albeit in limited area, whether we can build with the government some relationship of trust and confidence. All that has now been called into question" (as quoted in Bassett 1986, p. 60-1). As during the Heath government, the trade union movement and Labour closed ranks.

The half hearted call to defy the labour laws was soon abandoned and trade unions were urged to obey the law of the state (Hyman 1987;McIlroy 1988). The TUC urged that industrial power should not be used to challenge an elected government and that it was the business of the TUC "to bargain as best it could with the government of the day" (Hyman 1987, p. 99). The 'realist' option was not to defy the law but to change it. Such a policy, however, required the election of a Labour government. The reactivated Liaison Committee took steps to formulate proposals for a new formula. As in the 1970's, the labour legislation was to be repealed and replaced by positive legislation including the right to strike and to picket, the right to information, consultation and representation in the decision-making process of management. "On trade union ballots the statement insisted that unions as voluntary bodies should be free to determine their own methods of internal democracy, and that the 1984 Act should therefore be repealed; but added that 'the movement must convince the electorate of the reason'" (ibid., p. 101-2). In the event, the organised left accepted the recomposition of class on the basis of the market individual endowed with democratic rights.

The policy documents of the Liaison Committee (see TUC-Labour 1985,1986) articulated the new vision of socialist reconstruction of political domination: democratisation of trade unions and individual rights. In order to repeal the harsh enterprise culture in Thatcher's Britain in favour of a society characterised by fairness and partnership, mobilisation of dissent had to be abandoned so as to make Labour's populist image succeed. Kinnock's moderate image articulated the contours of monetarism by making it clear that the individual rights addressed by the labour laws would be retained and that economic policy would be socialist but market based (market socialism)(22). Market socialism requires 'people' who can exercise their own initiative in awareness of their interconnection with others (Plant 1988). Market socialism reiterates the subordination of political discipline to the market, while the state supervises the 'distributive justice' (Carling 1986) of the market forces. The concept of market socialism accepts that wages must remain the basic means for income distribution with benefits, as a substitute for wages for the unemployed or unemployable, as the central feature of any scheme for state support. The "market needs a framework of civic responsibility", a framework that is required so as to "adjust to distributive justice" (Plant 1988, p. 19). The concept of market socialism rejects the Keynesian conception of the interventionist state since the latter entails the coercion of economic freedom through centralised economic planning. The concept of market socialism rejects also a policy based on appealing to interest groups (e.g. trade unions) as it cannot hope to reconcile the differing aims of interest groups without some overarching conception by which to judge competitive aims. The concept of market socialism comprises a social organisation on the basis of citizenship, i.e. the abdication of political responsibility for resources in favour of the individual awareness of injustice. The upshot is a populist appeal to the effect that the community should look after itself, a neighbourhood protection scheme on the basis of the market and a state supervising the market's fair distribution of resources.

However, new realist expectation did not adjust smoothly. The TUC leadership urged delegates at its 1983 Congress to accommodate to the economic, political and technological changes and challenges. The attempt to search for possible ways to cooperate with government was supported by a large majority at congress. However, the debate was openly hostile. The special TUC Conference in April 1986 revealed sharp divisions within the trade union movement over the TUC proposal for positive legislation. The TUC proposal contended that the law "is in industrial relations and cannot now be excluded - if it ever could" (Hyman 1987, p.103). Divisions occurred between those unions that enthusiastically welcomed the proposals, those which accepted the unavoidability of reform and those that reiterated traditional insistence on free collective bargaining (23). The conclusion reached was that the law could not be excluded from industrial relations, but that it could be given a positive role protecting the rights of trade unions and their members (see TUC-Labour 1986).

The section opposing state interference reiterated "the line of differentiation and division within the working class: by industry, occupation, employer, by age, sex, race, education, training. At times a potent method of defence and advance for the relatively strong and secure all to often it has been ineffectual and irrelevant for the weak, vulnerable or marginal" (Hyman 1987, p. 108-9). This position reinforces the fragmentation of the working class. The section of the trade union movement calling for positive legislation aimed at a new consensus between the state, trade unions and employers, rejecting a class based conception of industrial relations in favour of a market based approach. Both positions avoid "considering the connection between the law and working class self-activity: in which circumstances they are antagonistic, and in which circumstances complementary" (Hyman 1987, p. 109). Both positions involve a specific organisation of interest which excludes wider sections of the working class from trade union organisation. Both positions reject class in favour of sectional interest. This sectionalism was of considerable importance for the recomposition of the welfare state, in particular with regard to the integration of social with employment policies.

The TUC found it difficult to resist government's training initiatives since it had been the TUC itself in the 1970's that had urged the then Labour government to take positive action against youth unemployment. This pressure materialised in the Youth Opportunity Programme that was introduced in 1978 (Gray 1988). While the TUC was initially outspoken in its criticism of the Conservatives' training initiatives, the proposal to boycott the Job Training Scheme, which was seen as endorsing 'work for benefit', was rejected. The TUC argued that the trade unions "were better able to defend the interest of the workers and the unemployed by being involved in it" (Finn 1987, p. 4). A boycott of JTS would have undoubtedly resulted in political pressure to exclude the TUC from participation in the MSC. The labour movement rejected government's training schemes as creating cheap labour, effectively increasing unemployment due to the high rate of job substitution (see Finn 1987,b) and as undermining collective bargaining for the young unemployed. Surprising, however, was the remarkable degree of support for the Youth Training Scheme from Labour and the TUC when it was launched in September 1983 (A. Brown 1988). Over the YTS, the TUC was outmanoeuvred as government integrated the TUC's criticism of YOP into YTS (Gray 1988;A. Brown 1988). In 1988, responding to strong criticism on JTS by the TUC and individual unions, government reduced the role of trade unions within the MSC "by bypassing the procedures for approval of individual JTS schemes by local Area Manpower Boards" (Gray 1988, p. 127). This development made the TUC's resistance to collapse, accepting the government's assurance that the new unified training scheme would be voluntary. The TUC's response to MSC schemes has been characterised by a weak and reactive political strategy. The resistance of the TUC to training schemes concentrates on the exclusion of some workers from collective bargaining and government's restrictive income policies. Resistance by individual unions fell back on a policy of non-cooperation (Finn 1987). While this resistance made it difficult to find placements for trainees, the bulk of training opportunities materialised in non-unionised, smaller enterprise. In the event, the policy of non-cooperation in industries where trade union resistance was strong (e.g. printing and engineering: Gray 1988), reinforced the division within the working class as the unemployed were, increasingly, pushed into peripheral areas of work. In general, the trade union response was to cooperate with the government of the day and to search for institutional solutions a future Labour government would implement. These solutions included demands for a 'minimum wage' (see TUC-Labour 1986 and the debate between Gray 1988 and Alcock 1989). To the extent that minimum wages come to function as maximum wages for low paid and the unemployed, the demand for minimum wages entails the legitimation of poverty wages (Hyman 1987). As the concept of 'market socialism' entails the unfettered distributive justice of the market combined with awareness of people's interrelation, the TUC recommended that negotiators should start at £98 a week, a figure below which low pay is defined (Coates/Topham 1986). This definition is lower than that proposed by the Council of Europe (see Esam et.al. 1985).

IV Decomposition of Class and Welfare State Policies

Demands for guaranteed minimum income responded to the individualising and fragmenting imposition of the abstract equality of money in command through the destruction of the relation between public expenditure and wages. In the face of monetary expansionism, the Thatcher government used public expenditure as a means of encouraging low pay and imposing the discipline of the market. In the face of the desanctioning of working class demands for e.g. full employment and welfare rights and the removal of sanctions, immunities and legal safeguards of trade unions, the crucial social organisation to voice these demands, the discriminating and repressive use of public expenditure involved a growing polarisation between different sections of the working class as between the beneficiaries of credit-sustained accumulation and those who were its victims.

The offensive against the working class entailed, fundamentally, the attempt to decompose its strength to command a living standard that rested on the Keynesian connection between public expenditure and wages. The monetarist attack on this connection involved the reconstitution of social relations on the basis of the market, permitting a segmentation of the working class in and through a disparate labour market power as between different workers. An important aspect of this policy is the growing integration of employment policies with social policies. While the welfare state continued to be recomposed in terms of repression and efficiency, public spending cuts and bureaucratic forms of control comprised aspects of supply side economics that involved the creation of an increasingly politically supervised, cheap and casual labour force. Although the government would have nothing to do with incomes policies, the reassertion of political domination entailed the repressive encouragement of low pay, i.e. the repressive instantiation of the economic freedom to accept any kind of job at any wage. However, expectations did not adjust smoothly.

Between 1979 and June 1983, unemployment increased to 2.9 million (10.2%) and peaked at 3.1 million (11.5%), and remained stagnant thereafter (MacInnes 1987, pp. 70). Since 1979, youth unemployment (under 25s) increased from 524,000 to 1.3 million in 1985. Almost half of the registered unemployed (40%) are younger than 25 (Dürr 1989, p. 162). Unemployment is gender and race divided (ibid.;Cockburn 1987;Miles/Phizeacklea 1984). As the method of counting the 'unemployment' has changed 25 times during the 1980's (see *The Observer* 14.5.1989), some commentators suggest a real figure of unemployment between 4 and 5 million (Coates/Topham 1986, p. 5;Bassett 1986, p. 14). The credit-sustained boom did not absorb those made redundant during the depression, permitting an exclusion of parts of the working class from the benefits generated by the boom. Some commentators (see Agnoli 1986;Hirsch/Roth 1986;Negri 1987b) suggest the impossiblity of reverting to full-employment growth and hence a permanent peripheralisation and marginalisation of parts of the working class within metropolitan countries.

Considering the selective registration of the unemployed, the government's claim in its second term in office, of a rise in employment by about 570,000 jobs between 1983 and 1986 (MacInnes 1987, p. 70) needs to be treated with caution. "About 144,000 were accounted for by an increase in the number of those who held second jobs (for example a clerical worker working in a bar at weekends) and were thereby counted twice. Gregory (1987) has calculated that 237,000 of the increase represented people on special government programmes for the unemployed, ..., who had contracts of employment and were therefore counted inthe Census of Employment" (MacInnes 1987, p. 71). At the same time, 1.4 million jobs were lost in manufacturing between 1980 and 1985. From 5.2 million full-time, mostly male, jobs in 1975, employment dropped to 3.8 million in 1985 (Bassett 1986, p. 16)."The fall in the numbers employed has been almost entirely among men. Male employment in 1980 stood at just over 13 million, or nearly 60 per cent of the total. By 1985, this figure had fallen to just over 11.5 million, a decrease of almost 1.5. million jobs - more than 11 per cent" (ibid.). The increase in employment is largely due to an increase in part-time female employment. Since "mid-1983, male employment has continued to fall (by 164,000, to mid-1985) while female employment has risen (by 413,000)" (ibid.). This recomposition in the structure of employment is largely caused by the expansion of the service sector: "Between 1979 and 1986, 62 per cent of the rise in women's service jobs was in part time work" (A. Pollert 1988, p. 52). In manufacturing, the gender divide bends in the opposite direction as female part-time work dropped by 40% between 1979 and 1986 (ibid., p. 53). In aggregate terms, the proportion of the total work-force who worked part-time increased thus only by 14-16% between 1980 and 1984 (ibid.), the highest proportion of which occurred in service industry. Bassett (1986, p. 16) sees the rise in part-time work as accounting for 95% of the increase in employment. The government's claim of an increase of 570,000 jobs indicates not only a relatively minor recovery on the labour market, but an actual decline in full-time employment between 1983 and 1986. The recovery of 1983 did not absorb the jobs shed during the previous decade. Upon the recomposition of class relations in the form of property ownership, the recomposition of employment structures reinforced the division within the working class. In the face of the decreasing number of full-time employees relative to the previous cycle of accumulation, marginalised work increased. In the context of a life of poor employment, these sections of the working class saw guarantees for wage protection removed, and were subjected to changes in taxation and social security that intensified tax and poverty traps. The increase in low waged labour affected largely women and the young unemployed.

-Deregulation of Wage Council Protection

In its attempt to instantiate the non-coerced freedom of equal exchange on the market, the government abolished the Fair Wage Resolution, which dated back to 1891. This resolution "required employers completing work for Government to pay their employees the collective bargained wages" and to provide "conditions of employment prevailing for that industry" (A. Brown 1988, p. 22). The rescindment came into force in September 1983, the same month that the government issued its final directive on competitive tendering in the NHS. In the face of deregulation of public services, this step made it possible for government departments, and local authorities, to subcontract low paid and casual labour. In the face of the deregulation of public services, the abolition of the Fair Wage Resolution involves a direct attack on the trade unions as it undermines collective bargaining procedures, attacks so-called restrictive trade union practices, and enforces wage pressure on public employees. Alongside the casualisation of labour power, work conditions deteriorated in some areas of public employment, while wages were squeezed and work intensified (Esam et.al. 1985;Ascher 1987). At the same time, this removal of wage protection was designed not only to increase competition and enhance the operation of the 'free market' on the basis of a competitive price for labour power. It also increased competition between subcontractors. The Resolution had simplified the evaluation of tender and had acted "as an insulating device, proctecting contractors from entry by 'low-cost' firms" (Ascher 1987, p. 108). The Resolution had made it easier for contractors to deal with trade unions and had shielded the industry from 'cowboy' operators. The deregulation of wage protection impinged on contractors through intensified competition, requiring them to force down wages as a means of staying in business. The government repealed also schedule 11 of the Employment Protection Act of 1975 "which allowed a union to make a claim at ACAS against employers who did not observe agreed terms and conditions of employment required for the trade or industry" (A. Brown 1988, p. 23;see also Esam et.al. 1985). This deregulation effectively removed wage protection for employees in non-unionised industry and sanctioned deteriorating health and safety standards. Lastly, the Wage Act 1986 confines wage councils to setting a single minimum hourly rate of pay for adults protected by it. The Act excludes workers under the age of 21 from wage council orders (A. Brown 1988). This legislative decomposition of the working class through age differentials is of particular importance in the government's 'work-for-benefit' schemes (cf. Finn 1987). The young workers on government's training schemes are excluded from wage council orders and, as such, stripped of protective rights. Additionally, the government encouraged low pay and moonshining through its fiscal and social security reforms which increased tax and poverty traps for a large number of workers (see Esam et.al. 1985). The attempt to force people into a life of low wages and long periods of poor employment manifests a legal and monetary decomposition of class relations through the recomposition of wage hierarchies between those the boom did and did not pass by and among the low waged and the wageless themselves.

In the face of a boom sustained by credit, persistent levels of mass unemployment and a policy of state austerity implied a recomposition of class relations which reinforced the hierarchical social order in the factory (as between different skills and wages). This hierarchical social order was reinforced in a different form as between those in regular employment and those capital found it difficult to regard as a variable component of exploitation. Rather than undermining the division of the working class within regular employment, this recomposition presupposes and has as its result this division itself. However, the division of the working class no longer pertained merely within production but extended beyond the social control entailed in industrial relations. The much higher expulsion of labour than the credit-sustained recovery of accumulation absorbed led to what some commentators see as a creation of an underclass (see authors as diverse as Dahrendorf 1987;Leadbeater/Lloyd 1987;Jessop et.al. 1988;Negri 1987b). The recomposition of the division within the working class involves the real possibility of the creation of a surplus population that is largely disenfranchised form surplus value production because of its distance from the control of the labour process; this seems to be the case with, particularly, the long-term and the young unemployed. The control of these workers shifted from the system of industrial relations and personnel management to the state as institutionalised, for example, in the MSC.

The weakening of wage councils discriminates against those at the bottom of the wage hierarchy. The weakening of institutional guarantees of wage protection asserts the rejection of the concept of the interventionist state in favour of the subordination of political criteria to the limits of the market (24). The monetarist attempt to reimpose the limits of the market is made explicit in the abolition of wage protection as it imposes upon the 'disadvantaged' the repressive regime of natural unemployment. The selective and discriminatory weakening of institutional forms of wage protection comprises one aspect of the displacement of Keynesian guarantees of full-employment growth and income in favour of the reimposition of the power of the money: "poverty is not unfreedom" (K. Joseph/Sumption, Equality, as cited in Plant 1988, p. 4). Poverty is a condition of equality, i.e. the freedom to respond to the development of market forces without the state's coercing their unfettered operation. Fundamentally, the attempt to contain the disruptive and productive power of labour on the basis of credit expansion in a tight monetary framework involved the recomposition of the working class through a divisive redistribution of the benefits generated by the boom. The recomposition of the working class on the basis of the categories of citizen and property owner involved not only the intensification of work, the imposition of new working practices, the encouragement of private property through privatisation, the undermining of trade union power through legal intervention and penal law and the geographically uneven recomposition of production. The integration of labour into the wage relation involved also the divisive reinforcement of wage differentials. While the trade unions were denied broader political involvement and were legally restricted to representing predominately those in full-time employment, those workers pushed to the margin of the labour market were ever more subjected to the repressive reassertion of capitalist state power that legitimised poverty as a condition of freedom. By repealing wage council wage protection, government made clear that poverty needs to be seen as an opportunity which encourages enterprise. The orientation of state provisions to market criteria has "driven unknown numbers of workers into the underground economy, claiming dole at the same time at which they are working" (Gray 1988, p. 122). Referring to data of the Inland Revenue, Leadbeater/Lloyd (1987) suggest that the hidden economy accounts for 6 to 8% of GNP in Britain. According to figures released by the Low Pay Unit, which defines low pay as a gross weekly wage before tax and other reductions at £107, and low paid part-time work by a rate of £2.75 per hour, "there are currently 8.3 million low paid workers in Britain" (Esam et.al. 1985, p. 46). Wage differentials between workers increased markedly because of the strength of workplace collective bargaining, shortage of skilled labour and new management approaches to industrial relations (work with pride). The "unemployed do little to stem the pay pressure that is coming from the well-paid, skilled workers who have secure jobs with successful firms" (Leadbeater/Lloyd 1987, p. 53;see also MacInnes 1987;Gamble 1988; Spence 1985). When inflation fell to its lowest between 1983 to 1987 (about 3%), real earnings for the stronger sections of the working class were the highest ever on average (MacInnes 1987;Esam et.al. 1985; Gamble 1988). Although affected by rigorous cash limits, public sector wages remained on average above those in the private sector (see MacInnes 1987). During the 1980's, government's attack on the relation between public expenditure and wages did not, despite mass unemployment, result in a reduction of the overall level of wages. Average wages increased during the 1980's, while the income for those at the bottom of the wage hierarchy decreased substantially.

The pressure on wages manifested itself unevenly. Wages decreased in real terms only when unemployment was rising in the early 1980's, while wages increased on average after 1983 (MacInnes 1987, p. 82). However, beneath the surface of an average increase in real wages, wage differentials increased dramatically between 1979 and 1986. These differentials obtained between skilled workers who achieved wage increases and semi- and unskilled workers faced with wage reduction (see the data supplied by MacInnes 1987, p. 82). The redistribution of wealth in favour of the rich, popularised as a means of providing incentives for productive investment, increased earnings of the top 10% by one-fifth in real terms, while the bottom 10% faced virtually no increase (MacInnes 1987, p. 82). The redistribution of wealth favoured the top-earners at the expense of the lower margins of the wage scale (Krieger 1987;MacInnes 1987;Esam et.al. 1985). While the regular work-force experienced, although unevenly but nevertheless on average, rising wages, the 'irregular work-force' (cf. Esser/Fach 1981) faced real reductions in income. "By 1986 the Low Pay Unity claimed that government figures showed that 10.5 million people in Britain had incomes at supplementary benefit levels or less: over two-thirds more than in 1979" (MacInnes 1987, p. 84). By 1986, due to changes in welfare regulation, the unemployed received £2.8 billion less in benefits than they would have been entitled to in 1979 (MacInnes 1987, p. 51). Government's training schemes created a working population earning just above the scale of social security entitlement (Benn/Fairley 1986). As changes in taxation and social security increased the severity of poverty and tax traps, marginalised sections of the working class were increasingly forced into the underground economy (e.g.

homework; see Mitter 1986). Especially for Asian minority immigrant workers, and here in particular women, underground labour is a necessity to avoid attention of officialdom. "The very insecurity of these women in British society makes them particularly attractive to employers, as they are able to pay workers very low wages, often as low as ten pence per hour" (Mitter 1986, p. 41, in reference to *House of Common Select Committee on Employment, Homeworking*). In spite of rising low paid labour, real wages increased in the UK between 1979 and 1988 on average by 28%, an increase that more than outstripped real wage increases in countries that are the UK's main competitors on the world market (see *Financial Times* 14.10. 1989). This development implies, as indeed the *Financial Times* suggests, that 'Thatcherism' did not crush the trade unions. "As the dust settles after the initial experience of Thatcherism, what is perhaps most striking is the persistence rather than the eclipe of established industrial relations institutions" (Hyman 1989c, p. 192). Taking the development in wages and wage differentials as indicators of trade union bargaining power, trade union representation of its constituents in the working class seems to have reinforced the division within the working class as its bargaining power is largely restricted to the integrated working class, particularly the skilled sections of it.

This development is surprising as one should expect that management, given conditions of mass unemployment, deregulation of wage protection and the legal decomposition of the trade unions' might to strike, would increase the turn-over of labour power so as to undermine the downward rigidity of wages and to reassert the right to manage. However, empirical evidence suggests a hardening relation between employed and unemployed (see A. Pollert 1988). It appears also that those within employment perceive their jobs as relatively secure in terms of job replacement. "They are not threatened by the existence of a 'reserve army of labour': there is instead a growing gulf between the profiles of the 'typical employed' and 'typical unemployed' person, because the 'typical employed' person has a work-record, and an accumulation of skills and experience, which an unemployed rival is unlikely to match" (Spence 1985, p. 129)(25). The willingness of employers to concede wage rises in face of possible strike action needs to be seen in the context of the competitive advantage of 'good working-relations' with trade unions and/or with the labour force.

'Macho management' as exercised by Edwardes at BL, MacGregor in Steel and Coal and Murdoch in Fleet Street is, as yet, not typical in industrial relations at large. A devoted labour force provided a competitive advantage. Management sought to harness the competitive advantage of 'good' working relations with trade unions, leaving collective bargaining over wages largely intact (MacInnes 1989;Batstone 1988). However, MacInnes's and Batstone's arguments need to be treated with caution (see Fairbrother 1989;Peláez/Holloway 1990;A. Pollert 1989) as they base their argument on the institutional form of the wage contract thus ignoring the social conflict that underpins such contracts. This criticism concerns also Crouch (1989), who, in contrast to MacInnes and Batstone, sees, despite some tendencies in the opposite direction, an overall decline in trade unionism and in collective bargaining during the 1980's. The weakness or sustained strength of trade unionism cannot be discussed just in terms of membership development, collective bargaining procedures and such like, abstracting from the social conflict which underpins these developments. The productive and disruptive power of labour is expressed in the sustaining of accumulation by credit; companies have not only to withstand competitive pressure on the rate of profit but also to realise a rate of profit which is high enough for servicing interest and for providing credit-worthiness. Further, the productive and disruptive power of labour is expressed in the form of constant capital whose productive consumption increases output levels; whose efficient use demands a devoted work-force and whose operation commands particular skills.

'Good' working relations with trade unions, whether they operate defensively or offensively, are vital as long as trade unions secure relatively stable industrial relations by accommodating conflicting pressure arising from management's objectives and shop-floor pressure - a task which is at times impossible. For employers the ambivalent role of trade unions as representing the interests of their members within a certain pattern of negotiation of order, needs to be channelled into a moderating influence over the work-force. If trade unions want to secure their existence as legitimate organisation vis-a-vis employers and membership, their objective cannot be to jeopardise future relations with management but rather to try to accommodate to management's objectives as much as is feasible (see Hyman 1989a;Watson 1988) (26). For capital, a frontal attack on trade unions would undermine the advantage of collective control and would put into disrepute the hoped-for control through consensus. The sustained strength of trade unionism, although its industrial and political organisation of discontent was largely in retreat in the mid 1980's (on the development of strikes during the 1980's: Kastendiek 1988), gives expression to the productive and disruptive power of labour.

Management's attempt to command labour for exploitation through policies of consensus was at odds with the micro-economic view of desirability articulated by the Conservative government (i.e. macho management). The reason for management not to use the powers of the labour laws to contain labour is based on the attempt to harness labour's potential to work with motivation and devotion. "Sacking an experienced workforce because cheaper labour from the dole is potentially available is simply not an option" (MacInnes 1987, p. 126). Further, when faced with the possibility of prolonged strike action, management opted to pay up, seeking to transform protest into wage concessions so as to retain motivation of their labour forces. The increase in wage differentials suggests that the "dualism of the labour market is increasing. This helps to explain why unemployment has not checked wages growth, because it suggests that 'internal labour markets' have become relatively more important for employers, and a major way of retaining the cooperation and motivation of their labour force is high earnings" (MacInnes 1987, p. 126). Lastly, job control and other manifestations of shopfloor worker activity is not necessarily opposed to managerial objectives as it involves an important element of "self-discipline and collaboration with mangement" (Hyman/Elger 1981, p. 144). Workers control may "come to constitute for management a less costly means of securing the attainment of managerial goals than a strategy which seeks to undermine 'workers control' and replace it with managerial control", such as macho management (Terry 1986b, p. 170). This is the basis for the claim of the *Financial Times* (cited above) that Thatcherism has not crushed the trade unions. Management's willingness to co-operate with trade unions, albeit in an environment controlled and dictated by employers, contradicted government's attempt to reduce inflationary wage pressure and to destroy the relation between wages and public expenditure. At the same time, the boom entrusted real benefits and values to a particular section of the working class, permitting a decomposition of class relations on the basis of the 'generosity of the market'. The government contributed to the decomposition of class relations by encouraging property ownership through council house sales and the privatisation of nationalised industry. In turn, the revenue of privatisation made it possible for the Thatcher government to finance public expenditure without thereby provoking pressure on the pound through PBSR problems. At the same time, the increase in public spending made it possible to finance the repressive domestication costs which the imposition of rule of money demanded. The past decade has seen a sustained offensive against the working class. However, this offensive, rather than consisting in a frontal attack on the working class, involved, fundamentally, the reinforcement of the division within the working class within a tight monetary framework.

The average wage rises intensified the attempt to control public spending by tightening the financial position of local authorities and by invoking effective managerial practices in the running of the welfare state so as to orientate provision in proximity to market criteria, allowing the state to abdicate collective responsibility for welfare. Tighter financial control over local authorities and the institutions of the welfare state affected, in particular, those workers who were pushed to the margins of the labour market. Further, average wage rises intensified the attack on earnings as wages were seen as too high, causing inflation to deviate from the zero option and undermining the international competitiveness of the British national economy. With unit labour costs rising in Britain much faster than in other countries (see *Financial Times,* 14.10. 1989), those at the bottom of the wage hierarchy, whose skills were no longer needed, whose income was already severely restrained and whose employment conditions were deteriorating dramatically, were subjected to further wage pressure. The attempt to push down wages has been at the expense of the low paid, the unemployed and the disorganised (27). All this contributed to the polarisation of class, undermining the collective identity of labour as the antithesis to money in command. While institutions protecting low pay were progressively eroded, social and fiscal reforms and the tripartite body of the MSC came to be used as a means of imposing work. The government's attempt to use state budgeting as a means of imposing work entailed the political enforcement of money as exchange commanded and organised for exploitation. The subordination of social reproduction to the reproduction of capital is organised by money, whose power is institutionalised in the law and enforced by the state.

-Social labour power and the MSC

The Thatcher government, far from attacking, for fear of public revolt, the basic institutions of the welfare state, sought to use the welfare state as an institution of law and order command that imposed work under the penalty of benefit withdrawal. Government legitimates its training schemes as providing employment opportunities for the young unemployed. Government's opponents criticise training schemes as imposing cheap, non-unionised, casual labour which is excluded from collective bargaining. This claim is reinforced by the employer-led approach to training as employers gained the prerogative over location, content, format of, and access to, training. While accepting this critique of training schemes, it is, nevertheless, short sighted. Government's training schemes imposed not only control through individualising forms of bureaucratic control on the basis of a repressive use of public expenditure but, more fundamentally, a form of social control that involved the political marketing of labour power. This political marketing entails the disorganisation of the working class in and through forms of 'social engineering' in regards to those whose labour power no longer presents a commodity for capital, i.e. the variable component of capitalist command for exploitation. The political marketing of labour power involves an attack on the homogeneity of social labour through the systematisation of the working class into different sections and through the political promotion of the imposition of necessary labour. The containment of labour through 'training' militated against a policy of tight money. However, money made available for 'training' did not involve a recommitment to the Keynesian relation between public expenditure and wages but, rather, the imposition of political control through forced labour.

During the 1980's, entry into employment for the young school-leavers was increasingly controlled by the MSC. Upon the young unemployed government sought to impose work and low wages through its Youth Work Scheme (later replaced by the New Work Scheme (28)), which offered employers subsidies of £15 a week for newly employed sixteen or seventeen year olds, if the wage was less then £50 for a forty hours week. This allowed income to be less in some cases than the legal minimum rate set by wage councils, from the orders of which those under 21s were excluded. Moreover, low pay was imposed through the government's training schemes. YTS pays £26.25 on top of benefits, while government threatened to withdraw benefits from those refusing to take up training placements. In April 1986, about 350,000 young workers were enlisted in YTS. The Jobstart scheme, introduced in 1986, offered £20 a week to unemployed persons who accepted a job paying less than £80 a week (Gray 1988, p. 125). This programme has been phased out because of trainees' resistance. The Jobstart scheme attracted only few takers (ibid.). The introduction of JTS in 1986 tightened the screw further as JTS involved working for supplementary benefit at private companies undercutting wages and work conditions (see Finn 1987,b). This programme was phased out shortly after its introduction because employers and claimants did not take up the changes provided. After JTS proved impossible to impose, government sought to combine JTS with the Community Programme into a unified training scheme which involved 'training' for supplementary benefit plus a £10 top up. "The proposed 'Unified

Training Scheme' brings the British system still closer to 'work-fare'; no less than 600,000 people per year will go through special work schemes receiving a benefit rather than a wage. Together with the government's refusal to pay social security benefit, from December 1988 onwards, to young people who refuse to join YTS, this represents a serious move towards economic conscription" (Gray 1988, p. 126). Under the threat of benefit withdrawal, training schemes work as a form of economic conscription, involving individualising forms of bureaucratic control through monitoring and screening procedures. A further move to economic conscription was the introduction of Job Clubs. Job Clubs are "offered to long-term unemployed people as a form of help with intensive job search. Attenders are required to apply for ten jobs a day, and must attend for four hours a week, thus pressurising them to reduce the wage they are willing to accept, and flooding the market with applications which in turn may induce employers to offer low pay" (ibid.).

Additionally, government tightened up bureaucratic forms of control through repressive availability for work tests. A repressive form of 'counselling' is institutionalised in Restart which was introduced in 1986. Restart aimed at feeding the unemployed into MSC schemes under the penalty of benefit withdrawal. Restart forced the unemployed to attend interviews every six months, harassing them through pressure to give an account of their activities. Upon encouragement to take up casual and low paid work, Restart superimposed financial pressure by supervising the behaviour and movement of the unemployed. As government saw its efforts frustrated, partly because of claimants' resistance, partly because of employers' unwillingness to subcontract cheap labour with low skills, the government introduced a complementary measure in 1987: the Availability for Work Test. This measure extends Restart by forcing claimants to take any kind of job if they are unwilling to risk benefit withdrawal. This measure not only imposes low pay, it also erodes the de facto still existing voluntary character of training since it can be argued easily that an unemployed worker is only pretending to be available for work. Although the British system still maintains its voluntary character, monetary pressure, bureaucratic supervision and harassment are tightened up step by step, leaving the unemployed in a cold climate of a notional choice that covers up practically existing economic conscription.

During the 1980's, the young unemployed saw their legal rights redefined, their collective bargaining power undermined, their employment expectations declining and their work conditions scattered. While the government celebrated declining rates of unemployment, those on its make-to-work schemes were removed from the unemployment register at the same time as the DHSS processes them as non-employed, permitting the denial of industrial injury benefits (Esam et.al. 1985). As the government destroyed training boards, closed skill centres and progressively eradicated apprenticeships (Benn/Fairley 1986), the MSC offered skills that are not only poor but deficient in core and basic requirements (ibid.). Instead of offering genuine training skills, the young unemployed were "policed for thought as well as behaviour, backed by DHSS enforcement of benefit withdrawal" (Benn/Fairley 1986, p. 7). The MSC reinforced poor educational standards and low skills. At the age of 16, about 60% of students leave school without O-level qualifications, while only one quarter of the young generation enters into an apprenticeship or further education (Dürr 1989, p. 162). Cheap, unskilled and largely non-unionised 'trainees' make for a job substitution rate of at least 17% (Finn 1987, p. 15, on the basis of a MSC sponsored research on YTS). The job substitution rate suggests actual job destruction, creating frustration and suspicion at the point of contact between semi- and/or unskilled regular employees and trainees. Those on the margin of the labour market are put into competition against regular employees who see them, for good reason, as a threat to their employment. At the same time, the labour laws of the 1980's outlawed strikes over work and pay conditions for trainees (29). All this helped to reinforce the separation of the young unemployed from those in 'regular' employment. The MSC's control over entry into employment involved the undermining of collective identity between trainees and the organised labour movement.

The undermining of collective identity manifested itself also among those at the bottom of the wage hierarchy through racial (Esam et.al. 1985) as well as sexual discrimination (Cockburn 1987). Further, the recomposition of the welfare state in terms of productivity, repression and economic conscription, involved the reinforcement of individualising forms of competition between trainees, isolating trainees from each other. The young unemployed were placed at the bottom of the wage hierarchy and divided through pressure to show good behaviour if regular employment was to be achieved as a result of training on work-places (Stafford 1981;Goldstein 1984). Upon the individualising pressure at work, the state superimposed individualising and frustrating forms of bureaucratic control that subjected those dependent on welfare to a tight machinery of bureaucratic rules. These forms of control include bureaucratic hurdles which are associated with selective means-testing, screening and monitoring of claimants, and imposed mobility. The domestication of the unemployed comprises, alongside tight monetary control, a legally imposed and financially supervised mobility: from forced labour in enterprise back to the dole queue and from the dole queue to the DHSS and Restart interviews, from Restart to unemployment offices (signing on until recently every two weeks and since 1989 every week while claimants have to indicate their effort to find employment), and from unemployment offices to the MSC and the DHSS and from there to a different training placement in a different factory, with different workers from whom they stand separated. "It is urgent for capital to fix this labour-power within mobility and via mobility and segmentation of labour markets and its marginalisation" (Negri 1987b, p. 54). This imposition of mobility involves a preemptive undermining of collective forms of organisation through the denial of social conditions upon which such consciousness could develop. Resistance to economic conscription is made difficult through a sophisticated machinery of social control.

On the other hand, tight bureaucratic supervision of behaviour and work motivation fosters individualising forms of resistance. "To know what state restructuring is really about, to be able to explain the anger, frustration and resentment of the present generation of working-class youth, to know how new forms are being imposed on them daily, and how disillusionment is channelled into individuating forms in practice all require a close understanding of what is happening at the point of contact between young people and the state" (Stafford 1981, p. 58, referring to YOP). The degree of anger, frustration and resentment is expressed in the high drop-out rate of trainees. For example, during the period since November 1986 while JTS has been running "the MSC has acknowledged that 33,124 people enrolled (up to August 21st) and 13,332 left. Only 458 of these leavers, however, have successfully completed" (Unemployed Unit 1987, p. 3). Alongside trade union resistance calling for non-cooperation with the cheap labour schemes, the high drop out rate fostered the reluctance of bigger employers to offer placements for trainees (Finn 1987).

Organisations which could generate collective forms of support and resistance, i.e. the trade unions and unemployed workers' centres are either largely indifferent, and traditionally concentrating on the regular employed (trade unions) or restricted in mobilising political support (unemployed workers' centres). Support by the MSC of voluntary projects, like the unemployed workers' centres, is specifically designed to prevent them from carrying out political mobilisation of the unemployed (Gray 1988, p. 125). The unemployed are considered as a constituency neither in the Labour Party nor in the trade union movement. The alienation of the 'victims' of the credit-sustained boom from the organised labour movement was hardened by the restructuring of the labour market through employment patterns that made unionisation difficult: part-time work, workers in small establishments and self-employed subcontractors as well as sweat shop work and those on training schemes. All this reinforces the denial of collective representation for large parts of the working class, whose aspirations, income and employment conditions are circumscribed by tax and poverty traps, cheap labour schemes, the reductions of welfare benefits and whose forms of resistance have been channelled, through the punitive threat of law and bureaucratic harrasment, into isolated forms of deviance. Instead of collective recognition, these sections of the working class find themselves subject to the individualising and frustrating machinery of state supervision, involving the use of the welfare state as the perpetuator of, and watchdog over, the imposition of money in command. However, government's expectation of forcing people into a life of poor unemployment and low wages involved problems.

Firstly, the taking up of trainees is uneven as the bigger employers are noticeably reluctant while, on the other hand, small and medium size employers in the private sector have taken on trainees in high proportion (Finn 1987). This unevenness can be explained by trade union resistance in bigger enterprise, employers' readiness not to provoke dissent on the shop-floor and employers' doubts about trainees because of high drop-out rates. Secondly, rather than fragmenting internal labour markets, employers seem to consider the consolidation of internal labour markets a competitive advantage. The introduction of new methods of production strengthened the productive and disruptive power of labour which capital sought to contain through strategies of 'work-with-pride'. As a policy of hire and fire would have undoubtedly led to adverse effects on competitiveness through disruption of production, internal labour markets consolidated during the 1980's, rather than being undermined by mass unemployment and the provision of cheap, flexible, unprotected and casual labour. This is so because of the productive power of labour that, in the form of constant capital, demands particular skills, and because of the disruptive strength of labour which made impossible managerial strategies of hire and fire and policies of severe wage restraint. Thirdly, the reason why bigger employers have not simply substituted workers for those on training schemes concerns also, alongside the competitive advantage of a motivated workforce, the character of 'training' itself. The government's training schemes are fraught with contradiction because "neither is capital monolithic or homogeneous as the NTI implies, nor are the state's interest and practices identical to those of capital" (Goldstein 1984, p. 93)(30). Whereas capital depends on new skills that fit the particular industry, the MSC eroded genuine training skills (Benn/Fairley 1986). As the government's make-to-work schemes provided a broadly-based introduction to work based on the lowest denominator of work discipline, "many companies and some industries want labour with 'deeper' capabilities" than are provided by the MSC "in order to adjust to technological change and to improve competitive position" (Goldstein 1984, p. 101). As YTS was functionally useless because of the poor definition of core and basic skills (Benn/Fairley 1986), the short-term horizon of the 'free market policy' ignored the supply of long term skills (Fine/Harris 1985). In short, a "'builder employer wants a bricklayer who is a bricklayer' and not a generalist" (Goldstein 1984, p. 101, in reference to Pike (31)). The irony of government's work-for-benefit schemes is that they reinforced skill shortages at a time when government's anti-trade union policy intended to deregulate labour markets (see the attack on closed shops). By reinforcing skill shortages, government, rather than breaking up internal labour markets, helped to consolidate these markets. Despite government's intention of breaking up restrictive trade union control over internal labour markets, it presided over the consolidation of workplace trade unionism. The discrimination of training for skill in favour of MSC training for social control strengthened the bargaining position of the skilled sections of the working class. On the other hand, government's policy consolidated the disenfranchising of the unemployed as contrasted with those in regular employment, contributing to the decomposition of class relations through the polarising recomposition of the relation between public expenditure and wages.

As the credit-sustained boom did not absorb those made redundant during the recession into regular employment, government's use of the 'Ministry of Social Control', as Benn/Fairley (1986) termed the MSC, indicates the collective power of labour that government sought to contain through 'training', that is through 'social engineering of control' (cf. Benn/Fairley 1986). Not only did the new methods of production involve particular skills which marginalised those with inadequate skills, but also the productive power of labour forced capital, rather than to expand accumulation, to monopolise markets through devaluation and centralisation of capital, mediated through the stock market boom of the 1980's. In the face of market monopolisation, large sections of the working class found themselves excluded from capitalist use for exploitation (32). Government's training schemes responded to the surplus in social labour power by consolidating the exclusion of large sections from productive use and from credit-sustained prosperity, containing the working class by dividing it as between beneficiaries and victims of credit-sustained accumulation. The monetary and legal decomposition of class relations involved pacification costs that disorganised a collective response to the reconstruction of social relations on the basis of money in command. These pacification costs involved the global deficit demand management that sustained capital's command over labour's productive power in ever more speculative form; wage concessions for those workers upon whose discipline the productive potential of the new means of production depended; and the expansion of domestication costs for those workers capital found difficult to regard as a variable component for exploitation.

The disenfranchising of sections of the working class from direct command for exploitation signals that capital has found it impossible to impose necessary labour, the antithesis of surplus labour, on social labour power. The productive power of labour made it difficult for capital to consider the social power of labour as a commodity (i.e. as a variable component of capitalist command for exploitation) for the purpose of expanded imposition of work. Additionally, the state has found it impossible to control social labour power through employment and income guarantees. Instead, public spending has been used as a means to divide and rule, and to enforce social discipline through repressive forms of monetary expansion which involve oppressive forms of social engineering under the punitive threat of law (grant withdrawal). From the point of view of capitalist domination, the imposition of the value form over social labour has necessitated forms of social discipline that reassert the discipline of capitalist command in production through state induced forms of command. Government's training schemes and the encouragement of low pay signal just such a political control of labour power.

Government's policy towards those on the bottom of the wage hierarchy not only involved the reinforcement of wage differentials, but, more importantly, the segmentation of the labour market in and through the use of the welfare state as a means of marginalising, repressing, and depressing living conditions for those the boom passed by. In the face of credit-expansion within a tight monetary framework, the political promotion of various forms of labour (i.e. forced labour; low paid labour and casual labour versus regular and skilled labour) shifted large sections of the working class to the periphery of metropolitan areas, while the credit-sustained boom enabled the state and capital to concede rising wages and job security for those the boom did not pass by. As the intensive composition of capital turns marginal disruption in production into competitive disadvantage, including adverse effects on the stock market, management sought to contain labour through the consolidation of internal labour markets while the boom enabled capital also to concede wage increases as a quid pro quo for the introduction of new methods of production and intensification of work. Alongside this integration of sections of the working class, government's policies reinforced skill shortages. Moreover, the restrictive labour legalisation involved a particular definition of a distinct workers' interest in and through the reassertion of law and order command under the penalty of monetary decomposition of the trade unions. The government enacted sanctions, penalties, fines and heavy policing of industrial disputes; all of which involved the definition of the integrated section of the working class as an isolated group of people. After 1983, the boom entrusted to this section of the working class real gains in living standards, permitting a privatisation of interest on the basis of the categories of citizen and property owner. The Thatcher government used state budgeting as a means of fragmenting the working class through legal and monetary intervention, including the credit and fiscal explosion which sustained the boom. The isolation of large sections of the working class from the 'integrated' working class helped to consolidate political authority. The organisation of the unemployed on training schemes involved pacification costs. However, state budgeting was not used as a means of recuperating and neutralising the class struggle through integration costs designed to' create social equality' but to reconstitute social relations on the basis of 'market equality', i.e. the abstract equality of money in command. Further, state budgeting was not used as a means of subordinating social labour directly to the wage relation because the productive power of labour involved a disenfranchising of social labour from the capitalist capacity to impose necessary labour.

Policies towards those at the bottom of the wage hierarchy involved the denial of collective organisation, sanctions, threats to benefits, severe tax and poverty traps as well as forced labour. The disciplining of this section entailed the political use of public expenditure, not as a formalised guarantee for full employment and income, but as a promotion of the disciplining force of poverty. This shift in emphasis expresses, in institutional form, that the disciplining of those the boom passed by was not possible through the institution of industrial relations alone. The imposition of the value form over the conditions of life involved a reassertion of political power that took over the role of marketing the labour power of those who were not reintegrated into the disciplining control of industrial relations. Budgetary expansion involved the attempt to politically superimpose the wage relation without subordinating the social directly to the wage relation. The wage relation needs to be conceived of as involving the rule of the labour market. In turn, this rule is imposed through the system of industrial relations: the bargaining over the price of labour power and management's strategies to control the production process. The government's economic conscription abnegates, through the institution of the welfare state, the bargaining over the price of labour power. The state imposed 'employment contract' obtains outside the system of industrial relations and is enforced through social administration and law. At the same time, the willingness of management to take up 'trainees' entails management's commitment to impose work without having to negotiate over wages. 'Trainees' are thus integrated into the institution of the industrial relations through the imposition of work alone, while they are excluded from the institution of the industrial relation concerning the bargaining over wages. 'Trainees' enter into work on the basis of forced labour. While monetarism declares that poverty is not unfreedom, the imposition of this freedom entails the use of money as social command-to-work, enforced and supervised by the state.

The apparent paradox, i.e. the imposition of the wage relation beyond the constraints of labour market, can be explained on the basis of constant capital as subjective power which expresses, in inverted form, the disruptive and productive power of labour (33). Labour's disruptive and productive power was contained in, fundamentally, two different ways: the consolidation of internal labour markets (work-with-pride) and a credit-sustained accumulation (the realisation of appropriated labour on the basis of an accumulation of debt). This integration of labour into the capital relation helped to polarise the working class on the basis of a repressive reassertion of political authority through individualising means of legal and monetary decomposition of class. The political marketing of labour power involved those whom capital found difficult to regard as a variable component of its command over labour for the purpose of exploitation. The specific application of the welfare state as a means of control, i.e. of control effected through budgetary policies, entailed the attempt to enforce debt through forced labour. Instead of simply relying on welfare services, the unemployed are forced to work for their benefits. The reassertion of a politically induced, supervised and defined wage relation involves the imposition of work through the political marketing of labour power.

Social spending was used as a means of controlling, politically, the relative disenfranchising of social labour from capital's command for the purpose of exploitation (34): i.e. the imposition of the wage relation for sections of the working class through the reassertion of political domination that is premised on the lurid face of equality; the abstract equality of money in command. The political attempt to reconstitute social relations on the basis of the unfettered operation of the market forces involves thus the application of the welfare state as a means of enforcing the social power of money as command-to-work. The selective and repressive use of public spending involved the imposition of the wage relation, an imposition that rested on the systematic exercise of state power.

The government's use of budgetary policies involved the exclusion in a socially controlled way of those who were no longer needed. The law and order imposition of poverty and forced labour involved the marginalisation and isolation of these sections of the working class from the rest of the labour movement, while the state imposed the disciplining conditions of the production process: work, mobility, and income restraint through the combination of employment and social policies. The organisation of political command over the social rested on that form of the capitalist state power which is characterised by its role as the harmonies' last refuge, i.e. the last refuge of equality. Through the application of monetary and legal means of decomposing class relations, the state is involved in imposing the wage relation in terms of state-induced forms of individualisation, harassment, forced mobility and a policy of scarce money. This development displaced the discipline of the labour market by shifting the control of the market away from the trade unions to the state (see Goldstein 1984). The polarisation of the working class (35) made possible social passivity upon which, in turn, the restoration of the political power of the state rested.

By bringing those marginalised from direct productive use much more directly into the ambit of state control, notably through the use of the institutions of the welfare state, the state contributed to the marketing of labour power in a way which reasserted capitalist domination over labour in and through the imposition of the abstract equality of money on the conditions of life. The organisation of command extends to the political organisation of those excluded from the capitalist imposition of necessary labour through the use of public spending as a means of repressing social self-activity. At the same time, the state reasserts the imposition of necessary labour over social life. While the introduction of new methods of production involved the capitalist tendency to limit necessary labour, the struggle over the social use of labour's productive power (i.e. the struggle to limit the provision of labour power through reductions in the working week) turns into the organisation of command: the segmentation of labour markets, the privatisation of interest of those employed and the political marketing of labour power in and through means of legal restrictions to collective organisation that excluded sections of the working class from trade union organisation in the labour market. Alongside the denial of the political representation of the trade unions and the legal restriction of the organised labour movement as representing a distinct workers' interest in production, the political organisation of those pushed to the margin of the labour market (i.e. the labour market of the 'irregular' working class) entails the imposition of necessary labour in and through the monetary decomposition of class relations. All this involved the destruction of working class demands for full employment and a socially fair distribution of labour. Far from abstaining from state intervention, the reconstruction of the market involved the systematic exercise of state power, including the sacrificing of redundant labour power on the altar of money through the imposition of poverty. The systematic exercise of state power involved the eradication of the Keynesian use of money i.e. full employment guarantees, while using monetary expansionism, alongside the imposition of law and order, as a means to impose necessary labour through a socially controlled exclusion of those whose labour power was no longer needed.

-Changes in Social Security and the Imposition of Tight Money

While the British left believed that the Thatcher government would use the genuine failings of the welfare state as an excuse radically to dismantle it, government's policies extended, rather than changed, the policies of the Callaghan government. "While the policies that have been pursued have undoubtedly meant that state services are much worse and that life for those who depend on them is much harder than it was, few changes have been a radical departure from past practices" (Erskine 1986, p. 16-7). The central scheme of welfare policy in the 1980's has been to recompose class in terms of the individual and to individualise the relations between people. Central to the government's attempt to recompose social relations on the basis of the discipline of the market is, alongside the political marketing of labour power, the strengthening of the family. Government's policy reasserted the role of the family as the primary source of income support (Esam et.al. 1985;Cockburn 1987), strengthening domestic forms of dependency. The strengthening of the family is one aspect of the attempt to destroy the Keynesian relation between public expenditure and wages on the basis of an integration of social policies with employment policies. "It is not surprising that the YTS system is predicated on working-class families partially supporting their young economically for several years after they leave school" (Cockburn 1987, p. 210). As these families are on average not the high earning ones, but those at the bottom of the wage hierarchy, government's emphasis on family values reasserted the pressure of economic insecurity by pressing upon family life. Upon the family, government's repressive use of public spending imposed the discipline of the market through unemployment, benefit cuts, poverty wages, threat of homelessness and deprivation. Despite government's emphasis on family values, families have been split up by the pressure of unemployment, poverty and growing homelessness. During the 1980's, legal intervention involved a growing gap in disposable income between all households and one-parent families. This gap steadily increased in the past decade (see *The Observer* 14.5.1989). At the same time family pressure increased through the freezing of child benefit, which has been held at £7.25 since 1986 (see *The Guardian*, 10.7.1990). During the 1980's, homelessness, a clear enough symptom of poverty, has increased dramatically. "In 1970 the figure for homeless people was about 56,000 families; in 1985 the figure had grown to 100,000 and is likely to be far more" (Plant 1988, p. 10). Homelessness resulted from mortgage defaults (see *The Guardian* 18.4. 1989), unemployment and cuts in welfare provisions. The biggest change in payments to the unemployed was the abolition of earning-related benefits in 1982 - the same year that benefit became eligible for taxation. Unemployed workers now lose unemployment benefit for six months if they are deemed to have become intentionally unemployed.

The government's social policy involved the restriction of benefits to an 'enabling role', officially designed to alleviate social hardship for those most in need. The way in which those in need are subsidised sustained poverty. The market-led approach to the welfare state entails that poverty is "linked to the expenditure of the rich rather than to the needs of the poor" (Plant 1988, p. 6-7). Associated with fiscal reforms discriminating against labour, government sought to impose money in command through a tight application of the institution of means-testing. Means-tested subsidies to low wages involve a poverty trap because, since subsidies are related to income, they must be withdrawn as income rises, reducing the real advantage of any rise. "When taken together with the taxes also paid on wage rises, the withdrawal of benefits could lead to effective marginal tax rates on increased income of over 100%, thus trapping recipients in poverty" (Alcock 1989, p. 118;see also Esam et.al.

1985). While the overall level of social security spending increased, individual benefits decreased (35). Cash benefits have been cut by six to seven per cent, eroding the value of social security benefits. At the same time, contributions such as sickness and unemployment benefit have been reduced (see Krieger 1987) while government's targeting of resources to those most in need saw the increase in prescription charges, charges for eye tests and dental check-ups, alongside increased excise duties. These charges are, on the other hand, matched by strategies to casualise labour in public services such as the NHS.

While pushing people into economic insecurity, the failure to make deep cuts in public spending involved, in turn, ever more repressive attempts to regain central budgetary control over local authorities. The government's preferred strategy in relation to public expenditure was to force increased efficiency by imposing the commanding power of money through the institution of cash limits and by provoking privatisation and deregulation of services. The centralisation of budget control involved, by implication, a tightening-up of the hierarchical composition of political domination. Government's attempt to regain control over spending involved also an attack on local authorities' power to determine scope, form and content of local services. The government policies towards local authorities sped up long existing trends to transform local authorities from distributors of wealth to administrators of cuts.

The government's attack on the institutional form of the welfare state has been marked by disparities in the pace with which the Conservative government has attempted to restructure the public sector. The NHS has remained relatively unscathed compared with market orientated reforms in housing, education and more recently broadcasting and television (see Spence 1989;Barbrook 1989). While the NHS was systematically underfunded, and brought to the edge of collapse (see Esam et.al. 1985), its basic institution remained intact (see Clarke 1988a;Krause 1989). On the other hand, the Conservative government's approach to local government displayed a systematic confrontation right from the beginning. The financial position of local authorities was constantly tightened-up, permitting a financial responsibilisation of local performance to central government's view of desirability.

The control over public expenditure involved the breaking-up of resistance to the transformation of local authorities into an institution that managed the poverty of the local working class in the framework of increasingly tight monetary control. In its attack on local government, the Thatcher government continued Labour's policies of imposing tight cash limits on local spending. However, the Conservatives included current spending levels in the institution of cash limits. Government introduced strict ceilings on what local authorities should be spending and encouraged individual tax payers to resist high spending councils and to supervise efficient use of public revenue. The ideological foundation of the attack employed the discourse of consumer choice, i.e. greater accountability of local authorities to the electorate, involving the responsibilisation of local authorities to effective use of tax payers' money. The encouragement of consumer choice amounted to an exercise in 'window-dressing' (Birkinshaw 1987). Behind the smokescreen of consumer choice lurked the centralisation of the hierarchical composition of political domination through the legal and monetary decomposition of the constitutional balance between central and local government.

The government tightened local government's financial room for manoeuvre through progressively more restrictive legal interventions: Local Government Planning and Land Act (1980); Local Government Finance Act (1982); Rates Act (1984); Community Charge Act (1988, implemented in 1989 in Scotland and in 1990 in England and Wales). During the 1980's, the Thatcher government "succeeded in pushing down the central government's contribution to local authorities budgets from 63 to 49 per cent" (Gamble 1988, p. 132), without, however, arresting the upward tendency in public spending. All these legal interventions manifested, retrospectively, a step-by-step approach that culminated in a major shift in the balance of the constitutional relation between central and local government. Moreover, monetary and legal intervention coincided with the erosion of corporatist bodies at local level as well as the introduction of monitoring procedures over the performance of local authorities. Defiance of central government's objectives involved not only lengthy litigation procedures, but also grant withdrawal, disqualification of councillors and the abolition of local authorities, as in the case of the GLC and the six metropolitan councils in 1986. The abolition of these councils followed the deterioration of relations between central and local government. The government's attempt to achieve control over local spending provoked long struggles with many Labour-controlled councils who tried to avoid the effects of monetary restraint on their budgets by refusing to set a legal rate or by using methods of creative accountancy to raise additional money (37).

The reimposition of the power of money over local authorities entails the denial of oppositional space and demands, instead, unquestioned compliance with the rule of tight money, safeguarded by law. In the face of financial restraint, and penal attack, including increasing central discretion over the form, scope and content of service provision, the GLC not only figured as one obstacle amongst others but, more fundamentally, occupied an oppositional space of participatory democracy and a new left proposal of decentralisation (see A. Clarke/Cochrane 1989). The GLC counted as a symbol of 'municipal socialism' (see GLC 1982) in opposition to the subordination of political discretion to the market, resisting the Thatcher government's attempt to take "ever greater command of the state in order to crush dissent and opposition" (Schwarz 1987, p. 144). The abolition of the GLC expressed the uncompromising use of the capitalist state power to crush dissent, however much such dissent might be democratically legitimated. Central control over form, content and scope of services, mandatory competitive tendering, the selling of council houses and educational and health reform could not be achieved simply by introducing some Acts and sticking to them. Rather, the viability of a ruthless legal and monetary intervention depended on a shift in the balance of class power that, in turn, made possible the centralisation of budget control and the by-passing of local authorities. The abolition of the GLC is one important aspect of the struggle over the balance of class forces. Others include the arbitrary imposition of cash limits in favour of Conservative councils and the geographically uneven recomposition of production discriminating against mainly Labour controlled councils in the North. All this undermined concerted resistance in opposition to the institution of cash limits. Further, the government's largely successful campaign of selling council houses undermined support for local authorities' attempt to defend the institution of local democracy which had long been tainted as being the manager of the poverty of the local working class (see Cockburn 1977). The crushing of the GLC not only freed government from constitutional checks (see Krieger 1987) but, also, made it easier to control local authorities by making it clear that disobedience to financial restraint and central government's view of efficiency would be dealt with by a harsh display of state power.

Financial restraint affected particularly those councils in run down areas of social life. The attempt by the Liverpool Labour council to defy central government resulted, because of a lack of trade union support as well as harassment by the national party (Ridley 1989), in the disqualification of the Council; it was held responsible for accumulated debt incurred by misinterpreting government's slogan according to which the welfare state policy should target resources on those most in need. It can be no coincidence that Labour councils found themselves on the losing side since they represented, to some extent, a kind of social contract in the microcosm of the local state and since they represented, no less, those areas of social life most severely hit by unemployment and devastation. The attempt to enforce debt on the working class is expressed in the Thatcher government's fight against those 'overspending' councils that were hit hard during and after the recession. Upon a geographically uneven recomposition of production, the political exclusion of sections of the working class from economic recovery manifested itself in the selective and repressive allocation of grants.

Despite a ruthless monetary and legal intervention into the financial position of local government through the block grant system, government's expectation of controlling local government's spending performance through the block grant was frustrated. Local governments in general were able, thanks to increasingly managerial budgeting practices (A. Clarke/Cochrane 1989), i.e. creative forms of budgeting, to reverse the falling trend of revenue in real terms (Travers 1987). Nonetheless, there can be no doubt that local authorities' financial room for manoeuvre had been severely restricted. Local authorities found it increasingly difficult to replace, renew and refurbish (see H. Davies 1987). The enforcement of debt (i.e. the regaining of control over public spending) involved thus the deterioration of services to those hard hit by the unfettered operation of the market forces. However, resistance to tight financial control led to deviations from planned budget reductions. The government responded to these cash control collapses by the introduction of rate-capping (Rates Act 1984) and the 1982 Local Government Finance Act. This Act involved the attempt to make local authorities more accountable to pressure from their constituents. The Thatcher government hushed-up the tightening-up of supervisory monitoring and screening procedures on local performances by increasing 'consumer choice' over the local state. Alongside the introduction of central auditing procedures, local authorities were legally required to consult commercial and industrial rate payers before setting their annual rates. The 1982 Act confirmed also the right of any one individual to inspect local authorities' accounts (38). The 1982 Act gave individuals their "right to challenge and object to items of expenditure on which the auditor should seek a juridical declaration that it was contrary to the law, or on which he might certify that it had not been accounted for, or a loss had been incurred by wilful conduct" (Birkinshaw 1987, p. 158). Auditing implied increased central supervision over local government performance in respect of the implementation of government's view of efficiency (Parkinson 1987a,b;Birkinshaw 1987;Travers 1987;Ascher 1987). The opening-up of local government to the 'consumer' was "political window-dressing by central government and resulted in pervasive tokenism by local authorities" (Birkinshaw 1987, p. 155). Audits were not consumer watchdogs but, rather, a political check on whether local government's performance was in line with central government's view of desirability (ibid.;Parkinson 1987b). The irony is that the supervisory screening bent, in lots of cases, in the opposite direction as the government's watchdog criticised the way in which central government distributed grants (Ascher 1987;Birkinshaw 1987). It was the use of the rights provided by the 1982 Act which let to the disqualification of 47 Liverpool councillors in 1987. The disqualification of the Liverpool council asserted the tightening-up of the hierarchical composition of political domination: either compliance with financial scarcity and government's view of desirability or disqualification, if not destruction. Such a reassertion of political domination, however, could be used only as a propagandistic, however repressive, device since otherwise it would involve administrative chaos and damaging and costly struggle. The Thatcher government saw the alternative to coercive undermining of constitutional powers as lying in a further tightening-up of monetary restrictions, while using the threat of disqualification or abolition as a potent weapon to make clear that disobedience will be dealt with by a harsh and disciplinary display of state power.

The government sought to tighten the screw by the introduction of rate-capping. This imposition of money in command "involved the Government drawing up a list of councils which it deemed to be overspending and placing a ceiling on the amount by which they could legally increase their property taxes (rates)" (Gamble 1988, p. 115). Despite widespread resistance (see A.Clarke/Cochrane 1989 on the limits of campaign), the government remained uncompromising and selected, by 1987-8, forty local authorities for rate limitations (Travers 1987). The refusal by local authorities, notably Labour controlled ones, to co-operate triggered a long struggle in the course of which litigation "has become an accepted way of conducting the relation between local authorities and central government" (ibid., p. 23). Rate-capping asserted an attack on the way in which in particular Labour-controlled councils saw fit to manage the poverty of the local working class, forcing local authorities to financial manipulation, higher charges and cut backs in social services (see A. Clarke/ Cochrane 1989). Rate-capping was the first real infringement of the constitutional relationship between local and central government inasmuch as it intervened in the right of local authorities to set their rates independently. Alongside the campaign to abolish the GLC and six metropolitan councils (1983 to 1986), rate-capping manifested a culmination of various steps that amounted to a major shift in the constitutional relation between the central and local government.

Rate-capping involved the attempt to provoke the contracting out of services. The aim of injecting commercial criteri and competition, and of encouraging greater use of casual labour in social services followed the lead given by Conservative councils in the early 1980's. As a result of wide ranging contracting out arrangements, wages declined in those councils that subcontracted cheap labour and in those councils that exploited the threat of contracting out to achieve compliance from trade unions with wage restraint (Ascher 1987). In turn, casualisation of labour power was reinforced through the MSC's Community Programme, which mobilised the young unemployed to undertake community work. Additionally, subcontracted labour was largely low paid, part-time, non-unionised, unprotected by health and safety legislation and removed from wage council orders, while work was generally severely intensified (Ascher 1987). All this put pressure on wages, employment and work-conditions for those remaining in public employment. The attempt to deregulate council services through competitive tendering responded to the winter of discontent. "Local authority manual workers were at the forefront of industrial action and, for many, the sights and smells of the refuse collection strike are among the clearest memories of that winter" (Ascher 1987, p. 33). In the face of growing financial pressure, the inability of local authorities to control their workforces led a growing interest in competitive tendering in the early 1980's. The clearest winner in deregulation was the private sector (Parkinson 1987b). However, interest in contracting out declined by 1983/4 (Ascher 1987). Since 1985, the trend of contracting out was even reversed (ibid.) as some councils started to contract in services that had been contracted out. This shift responded to deteriorating services, the moderation of trade union wage demands (ibid.) and a successful trade union campaign against contracting out. In the face of a real possibility of costly disputes over deregulation as well as deteriorating labour relations, Labour was successful in occupying town halls, contributing to a renewal of trade union-Labour co-operation at the local level on the basis of financial professionalism and managerial local budgeting. In the event, "it appears that the recent debate over contracting out in local authorities has been something of a storm in a teacup" (Ascher 1987, p. 227). Despite the continuing attempt to reduce local government's current spending, the reversal of contracting out involved higher current spending levels which, by 1986 and 1987, were 15% higher than government's targets (Travers 1987, p. 12). Although the spell of contracting out was broken, the Thatcher government reconfirmed its determination to make competitive tendering and opting out mandatory for a wide range of areas of social life. While local authorities were able to mount effectice political campaigns which forced the government to postpone legislation on mandatory tendering, the government sought to use the growing public disenchantment with existing provisions to change the direction of current spending by enhancing consumer choice yet again through a further financial squeeze on local budgets, the community charge (poll tax). Further, the government sought to exploit the disenchantment with public services by shifting, in its third term in office, from creeping deregulation to deregulation as a centrepiece of welfare policy.

As for the NHS, the opening-up of health care to the market did not manifest itself, as an explicit and sustained policy, before the 1987 election. The government was constantly forced to renew its pledge not to launch a market orientated attack on the NHS. Prior to 1987, the government's approach to health incorporated ad hoc initiatives to reorientate health care along commercial lines (Krause 1989). The government put emphasis on efficiency as a means of legitimising systematic underspending. Additionally, the government unleashed a series of initiatives designed to contain costs. Mandatory competitive tendering was introduced for ancillary services in the NHS by 1983. Government insisted that the lowest bidder has to be accepted. This cost cutting exercise confronted in particular the lowest paid in NHS employment (laundry, cleaning and catering), leaving the central institution of the welfare state intact. All of these changes involved an attack on internal labour markets (encouragement of casual labour) and the health workers unions. In the NHS, the government's divisive cost cutting exercises were matched by other cost containment exercises: manpower targets, income targets, and value for money scrutinies. Lastly, government sought to inject managerial criteria by strengthening the management function in the NHS. To this end, "general mangers were appointed in the NHS and placed on performance related pay and short terms contracts, thus instilling in them the need to meet centrally defined objectives" (Bach 1989, p. 9). The government's attempt to deflect popular dissatisfaction and to fragment and divide popular unrest over the deterioration of services by introducing financial and administrative reforms, ostensibly designed to increase efficiency, was expressed in the publication of the White Paper 'Working for Patients' in 1988. The White Paper was introduced at a time of a developing crisis over the NHS, triggered by wage pressure, overtime work, bed closures and growing discontent within the NHS over deteriorating standards of patient care. The discontent was not limited to those who had been under immense pressure during the 1980's, but involved also consultants who claimed that the NHS was under threat from underfunding culminating in a severe financial crisis. The White Paper responded to this criticism by claiming that the injection of competition and market discipline would ensure better and less costly health care. The White Paper "proposes the commercialisation of the NHS, with the establishment of trading relations between health authorities and the nascent privatisation of hospitals through opting-out proposals" (Bach 1989, p. 8). The incursion of private health care involves the state abdicating collective responsibility for health provision, involving the orientation of health care in proximity to the market, that is, on the basis of privilege ('value for money'). As yet, no decision can be taken over the likely success of the government's attempt to break up the main institution of the post-war consensus.

Alongside the attempts to reconstitute collective provision on the basis of privilege, a major shift in the direction of arbitrary imposition of restrictive cash limits and repressive principles of selectivity and means-testing was introduced in the 1986 reform of social security, implemented in April 1988. A major innovation was the replacement of supplementary benefits by 'income support'. The reform of social security involved the rationalisation of the relation between different means-tested benefits that "align the entitlement to benefits for the unemployed with the levels of support for those on low wages" (Alcock 1989, p. 118). Income support rests on personal allowances which are determined according to age and marital status, with lower rate being paid to people under the age of 25 (£7 difference). The only way to achieve adult recognition is to marry; only through dependence on a sexual partner will the under 25s become adults in terms of full income support entitlements. The decomposition of class in terms of age differentials not only concerns those under or above 25. For those between 16 and 18 years of age, income support and housing benefit was scrapped. The 16 to 18 year olds are forced out of bed and breakfast accommodation and either back into pressures of family life or on to the street. Lack of such benefits is one of the main reasons why the young homeless become involved in prostitution, begging and small crime. On the other hand, those eligible to income support are required to pay a just and equitable contribution to the poll tax (Davidson 1989). The reform of social security reasserted government's attempt to destroy the relation between public expenditure and wages on the basis of an individualising monetary decomposition of class relations (means-tested benefits): benefit entitlements for housing benefit and income support are set at the same level as the net wages of those in full-time low paid work. Low pay is thus used as the yardstick against which to judge benefit rates. "For those at this level the maximum subsidy is paid, for those above it the subsidy is gradually reduced" (Alcock 1989, p. 118). In the event, the reform of social security assures that those out of work are in a worse position than the lowest paid in work (Erskine 1986;Alcock 1989). For those out of work and under 25 years of age, the repressive imposition of a means-tested wage subsidy accompanies effectively "the stick of stricter availability for work testing", encouraging "people into low wage employment" (Alcock 1989, p. 119). While age differentials in income support intensifies family responsibilities, particularly for those under 18 years of age, the under 25s find new financial support in the Unified Training Scheme that was introduced in 1988. The introduction of discretionary income support entitlements and severe cuts in benefits for the young involves financial pressure to accept 'training' on the government's benefit-plus programmes. The young unemployed are put under pressure to accept any kind of employment so as to escape the impoverishing innovation of income support, euphemistically legitimised by government as enabling those most in need to stand on their own feet. Young peoples' "bargaining power in the labour market is being made weaker than ever by cuts in social security and additional bureaucratic hurdles which have to be faced in order to receive them" (Gray 1988, p. 129). Government's declared aim of targeting resources on those most in need effectively stretched resources to the utmost lowest subsistence levels.

Alongside the replacement of supplementary benefit by income support, government introduced a social fund in April 1988 (replacing Family Income Support). The social fund provides addi- tional funds to people with special needs, often in the form of an interest free loan repayable from income support payments. Applications are subject to the discretion of the DHSS. Guidelines issued by government called for greater vigilance which encouraged an assessment of claims depending on the personal preference of the officer for the 'deserving' over the 'undeserving' 'claimant'. 'Claimants' have no right of appeal. At the same time, the decision of the DHSS officer will be scrutinised by the DHSS management, supervising the effective use of depressed resources (Erskine 1986). The shift in emphasis from legally enshrined rights to arbitrary discretion within the system deprived those in need of the most basic help (38). Moreover, payments are limited by local DHSS budgets which are assessed centrally. Since shortfalls in budgets can be expected, applicants cannot be sure that there will be sufficient money available when they apply. The availability of the social fund loan depends, alongside individual assessments of entitlement, on the money that there is in the fund. Although 'claimants' might be eligible for entitlement, the imposition of arbitrary cash limits on the fund imposes a certain limit to that which the local DHSS office can provide. Those who applied successfully at a time at which money was still available are expected to repay these loans from the mere subsistence level imposed by income support. In the event, the social fund involves the imposition of debt as a controlling requirement to take up any job so as to be able to clear the bill. Upon the frustrating and intimidating means-testing procedures that reinforced financial self-discipline on those 'most in need', the reform of social security imposed the repressive and individualising force of debt and its enforcement. The cuts in welfare spending did not involve the destruction of the welfare state but, rather its recomposition in terms of repression. In the face of rising wage differentials and a divisive distribution of the benefits generated by the boom, the recomposition of the welfare state imposed social control through an impartiality of legal and monetary intervention.

Additionally, the reform of social security in 1986 limits the financial proportion central government is prepared to contribute to local authorities' spending on housing benefits. This tightening-up of local budgets involves a closer supervision over maladministration and the screening of 'claimants', depressing the financial position of the working class through cuts in housing benefits and higher rents. As a consequence, one of the most significant areas of private debt concerns difficulties in meeting the rent bill (Berthoud/Kempson 1990). While local authorities look like the perpetuators of financial pressure and bureaucratic supervision, the government increased its funding of voluntary organisations at the expense of local grants, a development which by-passed local authorities and undermined their planning powers (Wistow 1987). Further, during the 1980's, the government made increasing use of special grants. Special grants totalled 16% of the overall grant in 1979; by 1987/8, the proportion had increased to almost 26% (Travers 1987, p. 20). Special grants include various areas of public spending: health, transport, policing (Parkinson 1987b;Muchie 1987;Morgan 1987) and education. The increasing proportion of special education grants, which are subject to the approval of the Department of Education, restricted local authorities' education policy severely while central government secured greater influence over the form and content of services. This development is of particular importance regarding the extension of MSC training, especially vocational training (Kogan 1987). The incursion of the MSC into education reduced local government's discretion over education considerably: conform, or else grant-withdrawal. Further, the Education Act 1986 strengthened the governing bodies of schools at the expense of local authorities. By 1988, accompanying the passage of new education legislation through Parliament, public debate on education has never been more stormy. For the teachers', after several years, where life at school has been exceptionally difficult, dissent spread over issues involving: overwork, underpay, deteriorating work-conditions and ever increasing pressure to produce better results with less resources. In the face of teachers leaving the profession in growing numbers, the teachers' strike in 1988 highlighted the demoralisation over the financial squeeze and constant performance pressure.

The 1988 teachers' strike was also a demonstration of dissent against government's new Education Bill. The four main aspects of the Bill are: the implementation of a national core-curriculum and the concomitant testing of all children at different ages against national attainment targets, determined by government; delegation of financial budgeting to individual schools and the possibility for larger schools to opt out of local authority control, on a simple majority vote of parents, accept block grants from central government and also to take charge, through their board of governors, of their own budget; the setting up of City Technology Colleges for eleven to eighteen years old with initial funding from industry; and, finally, the introduction of open enrolment policies, giving parents more freedom to register their children at the school of their choice (see Winck 1989). The education reform involved the abdication of collective responsibility for education which was to be reconstructed on the basis of financial accountability and privilege. Once schools under central control have received their financial support, they are left to budget their own account on a self-responsible basis. Budgeting rests with the managerial qualities of the head teacher whose efficiency in administering the fund is measured in terms of the effective use of resources in comparison with output, which is, in turn, assessed centrally by the national curriculum. The education reform puts emphasis on efficiency, financial viability and accountability. Instead of education for knowledge, educational success is measured in terms of efficiency: the end product education as a cost effective service. Increase in the so-called consumer choice of parents over the running and administering of schools involves, fundamentally, the centralisation of political control over form, content and financial resource of education. The opening-up of choice over which school to choose might well involve the segregation of children according to race and privilege. The proposed city technology college makes the link between education and the market obvious. Not only are industrialists involved in funding; these schools have also to have close links with local industry so as to supply the skills required. The objective of teaching skills for particular jobs contributes to the segmentation of labour markets. As those in specialised technology education are likely to achieve the skills required for regular employment, those in mainstream education will be provided for by the government's training schemes. Upon all these proposals, severe cash limits will continue, precipitating a further deterioration of schools, as will the encouragement of public schooling for those on the Oxbridge stream. Cash limits and opting out provision involve the reconstruction of education on the basis of the market. The market led approach to education involves an entry to education on the basis of privilege: value for money. Following upon financial constraint, the breaking up of a collective approach to education will make it ever the difficult for local authorities to administer and plan education (40), permitting a drastic deterioration of schooling in, particularly, the run down areas of bigger cities, precipitating a segmentation of labour markets and a further polarisation of the working class.

Alongside the attempt to impose the money power of capital through the institution of cash limits and special grants, the government sought to tighten the screw on local authorities even further. "By the 1987 election the Conservatives were becoming still more hostile towards local government and were proposing a range of new measures to limit the responsibilities and the power of local authorities" (Gamble 1988, p. 115). These new measures are the poll tax and the uniform business rate. The uniform business rate involves the likelihood of undermining smaller business that might not be able to cope with uniform rates determined indiscriminately by central government. The poll tax abolishes the system of domestic rates and increases the dependency of local authorities on central government finance (see Davidson 1989;Uppendahl 1989). The poll tax figure is determined not by local spending, but by the distribution of revenue support grant and the pegging of business rates. In the face of restrictive central grant, the only "remaining source of local authority will be the poll tax - any increase in this, on a proportional basis, has severest effect on those whom a Labour local authority would wish to support" (Davidson 1989, p. 32). About 80% of all local authority spending will be under central government control by 1990 (ibid.). At the same time, local authorities will be depoliticised while they will, in turn, appear as the perpetrator of the new system. Alongside the abolition of the fair rent system (see the Housing Act 1988; enacted 1989), the impact of the poll tax will be higher rents. As each tenant will be responsible for paying the tax, no legislation forces landlords to deduct the former rates from the rent charged. Alongside rent payment problems, the poll tax will increase debt. Debt and debt enforcement will hit hardest the lowest paid and will encourage them to take poorly paid work or join the black economy, including crime. Contrary to the rates system, everybody is required to contribute to the poll tax. The lurid face of equality makes itself effective through the uniformity of the poll tax as it is, according to government, only fair and just that those who consume services contribute to their costs. People on income support, although rebates are introduced, have to contribute to the tax from their income support payments. This development will hit hardest single parents, especially single mothers, and those under 25s, "whose rebates when available will be calculated on a lower needs allowance figure" (Davidson 1989, p. 32). Alongside currently increasing mortgage rates and rents, the controlling element of the poll-tax lies in its repressive imposition of money in command: debt and its enforcement (see CSE Edinburgh 1989; Holloway 1990c). The recomposition of class on the basis of the generosity of the market involved the disorganisation of class relations on the basis of a growing polarisation between winners and losers of the boom. However, the polarisation exists only contradictorily: the speculative sustaining of accumulation entails the speculative disorganisation of class relations itself. The attempt to exploit the divisions within the working class contradicts its results as the fragmenting attack on the working class involved the reconstitution of class relations on the basis of debt.

By the late 1980's, it became increasingly clear that the attempt to recompose labour on the basis of the categories of citizen and property owner contradicted its result as the republic of individualised property owners turned into a republic of debt. The generosity of the market recomposed the productive and disruptive power of labour as the collective antithesis to money in command in the form of growing public and private debt. After 1982, monetarism as a policy of state austerity and as an abrasive attack against labour has been retained, but at the same time there has been a massive expansion of credit throughout the 1980's. The imposition of the abstract equality of money over the conditions of life involved the contradiction that the deregulation of financial markets and credit-controls made the enforcement of debt (i.e. a policy of state austerity) difficult. The speculative dimension of accumulation expresses the speculative integration of labour into the capital relation. The unregulated expansion of credit and the abrasive attack on the working class are closely interconnected. The more the state cut back on welfare spending, on housing, health and social security, the more people were forced into debt in order to maintain a tolerable standard of living. The use of credit as a means of sustaining basic living conditions contradicted the government's policy of state austerity designed to regain financial stability by enforcing debt over the working class through the intensification of work and the imposition of tight money. The more credit is committed, the more claims on not-yet existing surplus value accumulate, while the central bank faces a growing mountain of claims on its national reserves in the face of a falling rate of savings. The more the whole existence of capital is based on credit, the more capital needs to push through changes in working practices, changes in technology and intensification of work as well as reductions in state expenditure in order to sustain the validity of credit. The more private debt was stimulated during the 1980's, the more the state had to reduce its expenditure so as to guarantee the pyramid of debt through bigger reserves (see chapter III). However, the more the state sought to enforce debt through cuts in social expenditure, the more private debt became a means either of securing the newly won property rights or of sustaining basic subsistence levels, such as housing. Monetarism as a policy of state austerity contradicted its result as the abrasive attack on living standards resulted in an increase of debt which monetarism had pledged to eradicate. At the same time, the inability of capital to control debt enforcement is oppressive: the individualising form of private debt and its enforcement. The constitution of labour's strength as the collective subject of debt is overtly oppressive in form. Mortgage default is the fastet-growing cause of homelessness in Britain (see *The Guardian* 28.4. 1989), a development which is getting worse since the increase in interest rates since summer 1989. Recently, the Policy Studies Institute (Berthoud/Kempson 1990) showed that, by 1989, one in nine households struggled to make ends meet and had built up debts worth of £2.9 billion to a variety of creditors. With 2.4 million of the 21 million families in the UK in arrears, the unemployed and single parent families are most at risk. Debt not only relates to consumer debt and mortgages, but also to the increasing difficulties in meeting the rent and rate/poll tax bills. Moreover, poverty and homelessness increased dramatically (see *The Observer* 14.5. 1989). In the second half of 1989 alone, the rate of home loan arrears rose by 29% (for households in arrears of between 6 and 12 months), while about 450,000 to

600,000 families are said to be two months in arrears (see *The Guardian*, 5.3. 1990). These arrears are not confined to the poorer regions but include wealthy areas in the south (ibid.).

The measure of social control involved in the imposition of the poll tax is not new: restructuring of the welfare state in terms of efficieny and repression, including the monetary disciplining of the low paid and unemployed, the centralisation of budgetary control and the denial of oppositional space. However, the significance of the poll tax is that, unlike campaigns against low pay, anti-trade union policies, training schemes, unemployment etc., its character is that of an opposition to a quite general mode of control: the indiscriminate imposition of the lurid face of equality in and through the power of money. The indiscriminate imposition of money in command renders problematic strategies of divide-and-rule although it does not exclude them. The anti-poll tax campaign makes debt a political issue, resisting repressive and individualising forms of domination imposed through private debt. The government's attemp to use the genuine failure of local management of services, as a means of provoking pressure from below on 'high' spending councils, failed. Councils set a poll tax level above central targets while the protest against the poll tax has not focused on high spending councils but, rather, on the imposition of the poll tax itself. As government saw its efforts to exploit widespread disenchantment over local government frustrated, the recent attempt to regain control over spending through 'poll-tax'-capping of councils involves, fundamentally, the attempt to undermine resistance in opposition to oppressive forms of debt enforcement by reducing the overall level of local taxation and by bringing the local state much more closely into the ambit of the central state through a further squeeze on local budgets and a further reduction of local independence from central government. The crucial element which holds the system together is debt enforcement (see CSE Edinburgh 1989). The international fragility of credit-relations manifests the fragility of control through debt. Whether the Thatcher government will be able to impose a socially controlled enforcement of debt through the institution of the poll tax, including 'poll-tax'-capping, is, as yet, open to question. However, the quite general imposition of money in command through the poll-tax involves a possible focus for resistance to debt enforcement and deteriorating living standards. Such a resistance might well lead to a recomposition of the working class through collective antagonism to money in command. Struggles which confront the imposition of capitalist command through debt involve the question of legality, especially in the face of denial of political representation within the institutional form of the state.

IV Conclusion

The past decade has seen an attempt to impose fundamental changes in the form of the state, and in particular to secure the systematic subordination of the state and the social to the money form of capitalist domination over labour. The relative success of the monetarist attempt to reconstitute social relations on the basis of the unfettered operation of the market forces rested on the defeats of the organised working class in the struggles of the late 1970's and early 1980's, precipitated by the crisis of the Keynesianism, and the world boom of the mid 1980's, unleashed by global relaxation of monetary policies and sustained by an explosion of international credit. The crash of 1987 has made clear how fragile were the foundations of the boom, including the reconstitution of social relations on the basis of the market. During the 1980's, the development of the state can be systematised into three different phases of the class struggle over domination: the indiscriminate attempt to reimpose the power of money over capital, the working class and the state in the early 1980's, institutionalised in the form of the MTFS; the attempt to reconstitute social relations on the basis of the market and in terms of property owner and citizen, that rested on the fiscal and credit explosion within a tight monetary framework; and, lastly, the crash in 1987 that reasserted the collective power of labour in oppressive form: debt.

The role of the state was to consolidate the reimposition of the power of money through the repressive means of law and order control, involving the state as a concentrated force of the global power of money. The political consequences of the break down of Bretton Woods manifested themselves to the state on three fronts: the need to regain control over public finances, the subordination of the working class to the centrality of money and the political tutelage of capitalist restructuring, including financial support for industry and the creation of a climate for the reassertion of the right to manage. Despite a rigorous deflationary policy discriminating in favour of capital, the social contract failed to achieve a socially controlled imposition of the limits of accumulation. However, the social contract was successful in demobilising class conflict and in demoralising resistance to deflationary policies. With the break-down of the social contract, the Conservatives were able to articulate the limits of state intervention and to define the contours of political reality much more forcefully in terms of the subordination of political discretion to the limits of the market, i.e. the power of world money. Monetarist ideology manifests a pragmatic response to the uncertainties that govern international credit relations as it seeks to free the state from obligations towards the working class by deregulating social responsibility to the market forces. Monetarism is not just an ideology of 'household economics' (Keegan 1984), but the ideological expression of capital's and the state's attempt to decompose the social relations and to redefine the role of the state vis-à-vis capital and the working class.

The MTFS articulated the subordination of the state, capital, and the working class to the money power of capital. The monetarist attempt to reimpose the power of money involved a systematic exercise of state power strong enough to defeat and to demobilise the class struggle. With its MTFS, the Conservative government sought to resolve the crisis of capitalist accumulation by forcing employers to reassert their right to manage, by undermining labour through mass unemployment and by eradicating public debt through deflationary attack. By doing so, however, the Conservatives reinforced and intensified the crisis-ridden tension between the various value forms in the unity of the circuit of social capital. The attempt to effect control through the targeting of the money supply was an unmitigated failure, domestically and internationally. The debtor crisis in 1982 expressed the rupture of capitalist reproduction through the (possible) collapse of international credit-relations. The debtor crisis indicated that the formidable attack on the working class through debt, high interest rates and debt enforcement had come into conflict with its effects: i.e. the use of tight money as a means of imposing control had broken down. The rupture was dominated by the (multiplicity) of state(s) through the relaxation of monetarist macro-economic policies and renewed global deficit financing based upon the political guarantee of debt by the US. The failure of the state to resolve the contradictions of capital by reimposing the limits of the market in the form of scarce and costly credit indicates that the state cannot resolve the contradictions of 'capital', but that the state is a moment of these contradictions; reproducing them in a political form. However, the MTFS proved to be of vital importance in disorganising the collective power of labour through the disciplining forces of unemployment, deprivation and economic destruction.

The relaxation of monetarist policies, internationally and domestically, involved, fundamentally, the use of Keynesian macroeconomic instruments. During the 1980's Keynesian policies continued to be used. However, the aim was to regain control over public spending, to enforce law and order, to protect property and to encourage property rights. Credit expansion, far from resolving the crisis of domination, expresses the collective power of labour. The relaxation of monetarist policies acknowledged that the only consistent strategy of integrating labour into the capital relation is sustained accumulation; Keynesian policies in a monetarist framework sought to control through monetary expansion in a tight monetary framework. While Labour in government "had pursued monetarist macro-economic policies within a Keynesian ideological and political framework, the government of the New Right increasingly adopted Keynesian macro-economic policies within a monetarist ideological and political framework" (Clarke 1988a, p. 171). The relaxation of money and credit policies made it possible to contain the class struggle on the basis of the (generosity of the) market. The reconstitution of the circuit of social capital on the basis of credit expansion and monetary attack on the working class did not contain the tendency to the overaccumulation of capital. Rather, Keynesian policies in a monetarist framework intensified the speculative dimension of accumulation, permitting an intensification of overaccumulation by diverting surplus capital into financing the growing mountain of public and consumer debt, domestically and internationally. Credit-sustained accumulation reproduced the speculative dimension of accumulation, while the rise in productivity rested on the scrapping of unproductive plant, the shedding of labour, and the intensification of work. At the same time, the credit-sustained accumulation made possible the fragmentation of the working class on the basis of the divisive imposition of the wage relation: i.e. the conceding of rising wages to some and the destruction of the relation between public spending and (direct and indirect) wages for those pushed to the margins. "It is true that monetarism does not represent a frontal assault on the welfare state, on which expenditure has continued to rise, or on the working class, sections of which have enjoyed an unprecedented growth in living standards, even if they have paid the price in insecurity of employment and the intensification of labour" (Clarke 1988a, p. 173). The use of public expenditure focused on the disorganisation of class premised on the divisive orientation of collective welfare provision to the market (i.e. contracting out, privatisation, deregulation of wage protection, integration of employment and social policies and encouragement of private health care for example). In its second term, the Thatcher government built on its success in the first term by tightening-up central budgeting control and labour laws, by defeating the miners, by recomposing class in terms of property owner and citizen, by abdicating collective responsibility for public services and by making the unemployed work for their benefits. The political integration of labour involved the use of repressive means of political domination in the attempt to reimpose the capitaist tendency to limit necessary labour against the tendency of working class struggle to limit the provision of labour power (i.e. reduction in the working week and, more fundamentally, the subordination of social production to human needs and aspirations). The monetary expansion that this reimposition required was overtly repressive in form as it fragmented and isolated the working class on the basis of the category of the property owner and as it imposed the discipline of the market without, simultaneously, reinvoking the Keynesian guarantee of full employment. The money expansion expresses the constituting power of labour in and against capital. The containment of labour in the form of capital took on two different forms: credit and fiscal expansion, permitting a containment of labour's productive power in ever more speculative forms, and the expansion of domestication costs which were designed to decompose class relations and to destroy the Keynesian nexus between public expenditure and wages (i.e. the transformation of protest into demand). The monetary decomposition of class relations involved a repressive use of public expenditure, entrusting to those upon whose passivity the stability of a policy of state austerity rested the generosity of the market (shareholders, owners occupation), while imposing poverty and repressive bureaucratic supervision upon those pushed to the margins of the labour market.

During the 1980's, the welfare state was progressively transformed from an institution designed to maintain workers for capitalist use for exploitation into an institution of social control over those pushed to the margins of social life. However, this transformation of the welfare state was, firstly, expensive and proved, secondly, difficult to implement (see the disparate development in the reconstruction of the welfare state, NHS). The abrasive attack concentrated on those sections of the working class which could be separated from the organised labour movement much more easily than others (i.e. those on the bottom of the wage hierarchy, women, young workers, the unemployed and 'racial' minorities). The attack on the welfare state focused on those already marginalised from the organised labour movement and hardest hit by the recession. On this score, welfare policies involved the injection not only of commercial criteria (i.e. the recomposition of the welfare state in terms of efficiency), but also the attempt to impose the spirit of inequality, i.e. the inequality of the private market individual. The imposition of the abstract equality of money involved the imposition of inequality because "the power which each individual exercises over the activity of others or over social wealth exists in him as the owner of <u>exchange values</u>, of <u>money</u>. The individual carries his social power, as well as his bond with society, in his pocket" (Marx 1973, p. 157). The reimposition of the money power of capital abnegates an integration of labour on the basis of social reform in favour of the rule of money: i.e. the reconstitution of social relations on the basis of financial ability, the equality of the market individual to the power of money. The reconstitution of the welfare state on the basis of the market entailed the encouragement of the individualistic pillage of social co-operation (examples at hand are the encouragement of owner occupation and MSC-training schemes). In the face of credit-sustained accumulation, the abdication of public responsibility for private provisions and the erosion of those provisions, remaining in public responsibility, implied the market-led recomposition of the class on the basis of property owner: i.e. the recomposition of class in terms of the strong and able on the one hand and on the other those who are not. The reconstitution of social relations on the basis of the market involved the imposition of inequality through a selective access to hierarchical values (i.e. wage differentials and segmentation of social aspirations). All this involved the reimposition of the lurid face of equality which characterises the organisation of work on the basis of exchange relations. The containment of the class struggle involved the monetary and legal decomposition of class relations. The imposition of poverty, hierarchical values and individualistic pillages of social cooperation were used as a means to counter any tendency to working class solidarity. The individualising imposition of the power of money involved the attempt to fragment social resistance to a policy of state austerity. The decomposition of class on the basis of the categories of property owner and citizen was made possible by sustained accumulation and an array of state violence, stretching from the repressive use of the welfare state to the paramilitary combat of dissent and the legal and monetary disciplining of trade unions to police their members without exchange for even the semblance of political involvement. However, the monetary and legal decomposition of class and the attempt to recompose social relations on the basis of the individualising and fragmenting form of the wage relation commanded an expansion of the money supply against which monetarism officially proclaimed. In the face of pressure to regain control over public finances, the Thatcher government financed the growing costs of the monetary decomposition of the working class through the privatisation of nationalised industry. Privatisation, in turn, contributed to the divisive recomposition of class in terms of the category of the property owner.

The attempt to reconstitute social relations on the basis of the unfettered operation of market forces involved the use of public spending as a means not of recuperating adverse effects of unemployment but, rather, of disciplining the social through monetary and legal means of control. This attack was based on the ideology of the market: the market provides best. Far from 'rolling back the boundaries of the state' and introducing more individual freedom and choice through the market, the attack on the working class involved a repressive use of public spending: the centralisation of the hierarchical composition of political domination and a politically supervised encouragement of market relations. The reimposition of the power of money rested on a systematic exercise of state power that defined social activity in terms of the market and that denied even the semblance of working class political influence. The shift in emphasis of the meaning of consensus to unquestioned obedience and the crushing of 'disobedience' through a repressive display of state power reaffirms negatively the uncertainty and difficulty capital faced in securing the imposition of a policy of state austerity.

In the wider context of the monetary decomposition of class relations, monetarism has been far from dead after 1982. Monetarism's most popular face in Britain has been mass unemployment, fencing off of political involvement, military policing of oppositional activities, anti-trade union policies, centralisation of budgetary control over the local state and the use of national interest as an all-purpose excuse for secrecy and supervision of social behaviour. State intervention took the form of a preemptive and coercive breaking of dissent. Monetarism expresses the reimposition of the right of property through the subordination of political criteria to the rule of money: the eradication of collective forms of working class integration into the state in favour of the individualising subordination of the social subject to the abstract equality of money. The fragmenting imposition of the rule of money and the treatment of social activity as possibly subversive responded to the break-down of the integration of class in the form of the 'corporatist collective' (social contract), precipitated by the class struggle of the late 1970's. The break-down of class collaboration involved a rupture of political domination through corporatist forms of class organisation. This rupture indicated the recomposition of class as the social subject in and against money in command, domestically and internationally. The Thatcher government acknowledged the recomposition of class by articulating resentment against the Keynesian concept of the interventionist state and by the attempt to decompose class relations through legal, monetary and coercive means, all of which were designed to fragment and systematise the working class in terms of the individualistic pillage of social co-operation and the imposition of hierarchical access to the benefits generated by the boom. These interventions were legitimised by the apparent economic success of the Thatcher government: the boom of the 1980's.

The recomposition of the working class on the basis of the categories of citizen and property owner, in antagonism to Keynesian forms of collective integration, involved, fundamentally, the reassertion of the form of the capitalist state power through the reimposition of the rule of money. However, the monetary decomposition of class relations is fraught with contradictions. The decomposition of class relations demanded domestication costs, militating against the attempt to cut back on debt. Further, the segmentation of labour markets strengthened the bargaining position of sections of the working class, permitting managerial strategies of transforming protest into wages concessions. Far from restraining wage pressure, the segmentation of labour markets consolidated internal labour markets, permitting wage concessions in exchange for intensification of work. The containment of labour's productive power on the basis of credit-expansion is interconnected with rising costs of containing the disruptive power of labour in the form of fiscal incentives for private ownership and domestication costs for imposing necessary labour by controlling social labour through training schemes and bureaucratic forms of control. Further, the monetary decomposition of class relations involved pacification costs in the form of subsidies to industry and law and order spending. The determination to crush dissent and to subordinate social relations to the rule of money involved not only the denial of even the semblance of political influence of social organisations but, also, the use of secrecy and emergency measures as an all-purpose excuse to guarantee and to maintain formal exchange equality. Instead of achieving social normalisation through material concessions, the polarising imposition of the rule of money involved the pacification and domestication of social conflict through violence (i.e. the violence of equality, unemployment, benefit cuts, bureaucratic supervision and paramilitary policing). On the basis of financial deregulation, the violence of equality comprised the contradiction of forcing into debt people seeking to maintain basic cash flows (e.g. rent, mortgage and consumer credit difficulties). While the monetary decomposition of the relation between public spending and wages involved the attempt to enforce debt, the imposition of tight money encouraged debt. The monetarist state policy of austerity rejected the Keynesian attempt to transform protest into demand in favour of the transformation of protest into overtly repressive, and speculative, pacification costs. The availability of debt to the working class involves the individualising decomposition of class relations, thus helping to stave off resistance. However, the speculative character of control through debt obtains in the rejection of subordinating one's conditions of life to deteriorating living standards, contradicting the monetarist attempt to enforce debt. Despite monetarism's attempt to enforce debt, it has presided over a pyramid of debt, the enforcement of which is open to the development of the class struggle. The resistance to a quite general attempt to enforce debt (i.e. the poll tax) might well lead to a much broader struggle over domination based on debt.

The monetarist attempt to reimpose the rule of money, that is to say, the 'international terrorism of money' (cf. Marazzi 1976) involved the systematic rationalisation of the relations of power. The reconstitution of the social on the basis of credit expansion rested on the systematic exercise of state power so as to control the uncertainty involved in the fragility of debt and possible cash control collapses. The systematic exercise of state power entails preemptive counterrevolution so as to safeguard the paradigmatic right of property which, as credit, obtains in the form of a claim on future surplus value. The systematic exercise of state power entails a preemptive use of force to make certain the alienation of the present to the future, i.e. the ultimate enforcement of debt. The disorganisation of class on the basis of the market (citizen and property owner) involves an expansion of the money supply which monetarism had originally pledged to control. Monetarism developed two faces: an unregulated expansion of credit and an abrasive attack on the working class. Instead of controlling labour's productive and disruptive power through debt enforcement, as institutionalised in the MTFS, the relaxation of monetary policy involved a control through credit expansion, including private debt. The price capital and the state had to pay for the pacification of the class conflict is not only high but, also, devastating. The control through debt reinforced the collective power of labour in and through the speculative dimension of accumulation. "The crash in 1987 dramatically brought home how precarious were the foundations of the apparent success of monetarism" (Clarke 1988a, p. 175). The crash signals the exhaustion of command through credit expansion. It brought to the fore the collective power of labour in and against capital, a collective power which monetarism had sought to control through the divisive imposition of money in command. The failure to turn credit into effective command over labour reasserts the limits of speculative accumulation in the form of a chain collapse of credit: mass devaluation of money capital is the form that the presence of labour in capital then takes. The formidable attack on the working class has come into conflict with its effects: the recomposition of the social in terms of the republic of debt and its possible default. The republic of debt contradicts the monetarist policy of state austerity, the recomposition of the working class on the basis of the category of property owner being transformed to the recomposition of labour as the collective antagonism to money in command. Since the crash, the tightening-up of the hierarchical composition of political domination no longer responds to the uncertainty of debt control but, rather, to the real possibility of this control's collapse. The reassertion of crisis and overaccumulation in the form of a crisis of world money undermined the recomposition of class in terms of property owner as property ownership asserted itself in the form of the republic of debt. With the post-crash rise in interest rates, and particularly the poll tax, the abrasive attack on the working class turns into the systematic exercise of state power to enforce debt. While capital was able to dominate the rupture in 1982, the relaxation of monetary policies in a tight monetary framework reconstituted the movement of the contradictory unity of surplus value production on the basis of debt and speculation. Far from undermining the strength of labour in and through debt enforcement, monetary expansionism on the basis of debt reshuffling and debt enforcement over conditions of life and over the state (e.g. privatisation) came to the fore as a means of containing the power of labour. During the 1980's, the class struggle reconstituted the social subject in overtly repressive form (private debt and its enforcement, imposition of poverty, deteriorating standards of living etc.).

The significance of monetarism is largely rhetorical, its practical results being contradicted by its practice (41). The more monetarism pledged to roll back the state and to reconstitute the social on the basis of the market, the more the state became interventionist. The more monetarism pledged to reconstitute the social on the basis of the individual, the more it expanded debt. The more monetarism celebrated the apparent success of its policy, the more it relied on traditional Keynesian methods (fiscal and credit expansion) and the more it relied on the systematic use of state power to make certain what otherwise might have been disruptive. Despite its attack on the relation between wages and public expenditure, the central institutions of the welfare state have not been destroyed, nor has the level of welfare expenditure been reduced. The more it attacked public ownership, the more it monopolised markets through the effects of privatisation, a deregulation of Keynesian forms of intervention whose revenue financed the repressive transformation of the welfare state. Despite its rejection of support to industry, it has continued to pour in money. Despite its attack on wages, average wages increased on average much faster than in the UK's main competitors on the world market. While the trade unions were successfully restricted to representing a distinct workers' interest in industry, the extension of the working class beyond the direct capitalist command for exploitation forced the New Right to organise one of the biggest employment programmes, using public expenditure as a means to segment the working class through individualising forms of monetary and legal intervention. Despite its rejection of the concept of the interventionist state, the state become more and more interventionist in terms of centralised budget control, secrecy as an all-purpose excuse to crush resistance, centralised planning of economic development (financial support and regional/urban development policies), centralised control over health, education, policing, welfare provisions and employment (MSC). Despite its rejection of Keynesianism, it used Keynesian macro-economic policies to sustain accumulation. The more monetarism relied on the expansion of public expenditure, the more it relied on undoing the way in which social relations were constituted since the war: pushing trade unions out of the state, restricting lawful strike action, restricting, through penal law, the trade union representation of a wider social interest; cutting back on welfare expenditure by limiting welfare to an enabling role, by making collective provision a tradable commodity, by using public expenditure as a means of imposing poverty on the basis of forced labour (MSC training schemes, low pay, black economy). The more monetarism proclaimed in favour of the democratic constitution of society, "the increasingly ruthless subordination of civil society and the state to the power of money has ... led to the progressive erosion of the legitimacy of representative and democratic bodies, which are reduced to the fora within which particular interests press their partisan claims, and against which monetarism asserts the primacy of the gneral interest embodied in the disinterested rule of money" (Clarke 1988a, p. 175). Despite the results contradicting monetarism's practice, the radicalisation of existing developments (i.e. accumulation of debt, speculation, poverty, unemployment, and coercive imposition of law and order) was overtly repressive, individualising, isolating, and violent in form. The imposition of the abstract average of equality entails the systematic use of state power as the concentrated force of money in command. The attack on the working class displayed the impersonality of money in the form of the overtly oppressive use of force.

The offensive against the working class "involves a fundamental restructuring of the relation between capital, the working class and the state, involving not simply a shift in the balance of economic and political power, but a change in the form of the state and class relations, in which some elements of the working class gain at the expense for others" (Clarke 1988a, p. 3). The ruthless legal and monetary intervention into the conditions of life involved the reconstitution of the social relations on the basis of the market, the generosity of which was entrusted to fiscal and credit expansion, notably the budget deficit financing of demand in the US, and to the competence of penal law enforced through 'paramilitary policing'. The legal and monetary intervention into the conditions of life denied Keynesian inspired forms of corporatist recognition of a distinct workers' interest. Instead, it involved legal and monetary forms of individualisation: instead of political representation, the reassertion of state power involved the imposition of law and order command, i.e. unquestioned obedience. The attempt to reconstitute the social on the basis of the unfettered operation of the market forces involved more than just an abrasive attack on the working class but, more fundamentally, a polarising legal and monetary decomposition of its collective power. "Despite the political collapse of the Left, monetarist policies have faced widespread opposition and determined resistance, both in and against the state apparatus. Nevertheless monetarism has been able to prevail politically, partly because of the fragmented character of the opposition, but primarily because of the sustained world boom" (Clarke 1988a, p. 175). However, the increase of debt is the most significant indicator for the collective power of the working class: the inconvertibility of money capital into effective command over labour and the containment of labour's productive power within the form of capital through a speculative deferral of mass devaluation and liquidation of capital. There is an overaccumulation of capital: more capital than can make a reasonable rate of profit; the speculative accumulation of capital is not a sign of the strength of capitalism, but an expression of its weakness. The key to the validity of credit is how effectively capital can exploit labour. The speculative accumulation of capital is not simply the result of the spirits of investors, but is rather a symptom of the inconvertibility of money capital into a reasonable rate of profit from the exploitation of labour. The crash indicates the political exhaustion of the attempt to control the working class through the instantiation of the generosity of the market through credit expansion and fiscal explosion. The reassertion of the face of equality in the form of debt involves the political disciplining of the working class to the power of money through the state: i.e. the political imposition of the generality of social existence (value production) over the conditions of life in and through the elementary form of value (i.e. money). The reassertion of money in command involves the state as a force that attains generality as the 'harmonies' last refuge' (Marx 1973, p. 886); harmonies of formal equality and formal freedom upon which, in turn, the social constitution of the form of the state rests. The crisis of global deficit financing of capitalist reproduction involves the state in becoming the collective representative of money in command: the subordination of the working class to tight money and the enforcement of debt by means of force.

Notes

1: M3 is defined as "notes and coins in circulation with the public plus all sterling deposits (including certificates of deposits) held by UK residents, in both the public and private sector, with the money sector" (Thompson 1986, p. 21).

2: Regarding BL, the contradiction between the reimposition of the power of money, i.e. the reconstruction of the market, and a policy of monetary expansionism came to the fore: "Sir Keith Joseph at the Department of Industry wrote an elaborate brief advocating the need urgently to subsidise British Leyland to the cost of £990 million, and then retrieving his monetarist principles spoke with eloquence in cabinet against his own paper; he - that is the monetarist talking Joseph - was defeated" (Schwarz 1987, p. 137).

3: During a period of only five years major riots appeared at: St. Paul's (1980);Brixton (4/1981); Toxteth and Moss Side (7/1981); St. Paul's (1/1982); Notting Hill Gate (4/82); Toxteth (4/1982 and 7/1982); St. Paul's (6/1983); Handsworth Birmingham (9/85); Brixton (9/85); Tottenham (10/1985). See Taylor 1987 and Kettle/Hodges 1982.

4: See S. Hall et.al. (1978), Miles/Phizacklea (1984), Davids (1989), and Kettle/Hodges (1982) on the history of racist disorganisation of class and on the use of racist discrimination under Thatcher.

5: The PSBR target in 1980/1 was £8.5 billion and the outturn was £12 billion; in 1982/3, the target was £7.5 billion and the outturn was £9.2 billion. The same difference between target and outturn can be reported for 1983-4 when the target was £8.2 billion and the outturn £9.8 billion (Thompson 1986, p. 16).

6: Public Expenditure increased from £111.7 billion (or 39.5% of GDP) in 1979/80 to £113.5 billion (or 42% of GDP) in 1980/1. In 1981/2 it increased to £116.5 billion (or 43.5% of GDP). By 1983/4 it had risen to £120.3 billion (or 42.3% of GDP) (Tomlinson 1986, p. 18).

7: Supply siders do not dispute the importance of the money supply. However, they claim that "far too much attention has been paid to the task of restoring financial stability,and not enough to the problem of getting the economy going" (Gamble 1988, p. 46). While monetarism is condemned for being too restrictive and for failing to break the vicious cycle of decline, supply siders focus on revitalising productive accumulation through fiscal incentives, reducing the state's share in earned profits by cutting taxation. At the same time, monetary scarcity is to be maintained for reducing inflationary pressure. Supply siders acknowledge the primacy of production, that is the creation of value, while the importance of a policy of sound money is maintained over the conditions of life.

8: By 1988, the bottom earners' income tax was reduced to 25% while highest income tax rate was reduced to 40%. During the 1980's VAT increased from 8 to 15%. Additionally, small business were awarded huge tax concessions (Sturm 1989, p. 48).

9: Alongside monetary expansionism in the US and the engineering of a Keynesian pre-election boom in 1983, the imperialist exercise of military discipline over the Falklands proved to be a sucessful measure to restore the fortunes of the Conservatives. This war, arousing old imperialist feelings to the full, made Thatcher something like a cultfigure of imperialist sentiments.

10: In Jessop et.al. (1987,1988), this shift in emphasis is not conceptualised as a movement of the class struggle that coerced the Thatcher government to abandon its MTFS and to replace economic policy by an explicit attack on the trade union scapegoat. While

Jessop et.al. describe the shift as comprising a 'highly flexible strategy' which articulates politically an 'accumulation strategy of flexible accumulation', Jessop and his co-authors take the failure to control the money supply and the subsequent institutionalisation of a speculative dimension of accumulation to be a consolidation of state power. While this argument seems to me to be correct in terms of statecraft, i.e. the consolidation of political power in the face of failure, the argument is fundamentally wrong in terms of the implied consolidation of the capitalist state power. The political promotion of a speculative dimension of accumulation expresses the failure of monetarist policies to regain control over labour's productive and disruptive power and the aggressive strength of monetarism to use its own failure as a measure to control, through speculation, debt and mass unemployment. The crash in 1987 has brought to life the collective power of the working class whose repression is based on speculation and debt.

11: Additional revenues were discovered in North Sea Oil profits, as the Petroleum Tax was increased under Thatcher (Gamble 1988).

12: On the earnings from privatisation see OECD: United Kingdom (Economic Surveys), Paris 1987, p. 68

13: "Some ministers have justified the subsidies in terms reminiscent of those used for the Malvinas/Falklands - if you have to spend a lot to give people their freedom, so be it" (Ball 1985, p. 17, with reference to Heseltine).

14: Jessop's (et.al. 1988) claims that the recomposition of class in terms of property owners and citizen involves some kind of popular capitalism which consolidated the 'hegemonic project' of Thatcherism. Such a view conceptualises the development of so-called 'popular capitalism' at face value. The crash in 1987 brought to the fore the fragility of popular capitalism. For a conceptual critique of Jessop's concept of 'hegemonic project' see Psychopedis (1990) and Clarke (1983).

15: See recent attempts to reformulate corporatist theory on the basis of 'bipartist' negotiations between government and industry by W. Grant ed, (1985); Cawson (ed. 1985,1988); Scholten ed. (1987); and Streek/Schmitter (eds. 1985).

16: On the organisational structure of the TUC and its history see Kaiser 1989; R.M. Martin 1980

17: A recent controversy over predominantly politically or industrially motivated strikes concerns the dispute over the abolishing of the Dock Labour Scheme in 1989. In the face of possible financial liabilities arising from unofficial strike action, the TGWU was forced to discipline its members and call workers back to work so as to hold a secret ballot (following the 1984 Act) and to gather legal advice for making the dispute look like a genuinely industrial one.

18: A further labour law was introduced in 1988. with which the Conservatives sought to close some gaps which became apparent during the miners' strike and the News International dispute. The Act provides the possibility for unorganised employees and individual trade union members to take the trade union to court. This provision undermined a loophole of previous legislation in that courts can no longer reject court actions by claiming that the individual is protected by trade union statutes. Government established an independent body to give legal and financial advice for individual court actions. Further, trade unions are no longer allowed to discipline scabs. Also, employers gained the right to take to a trade union to court if it puts pressure on individual members to take part in strike action. Finally, the law ruled out strike action whose aim it is to establish closed shops; and declared the dismissal of individual employees who do not join a trade union automatically unfair (see Schmidt 1989).

19: On the miners' strike see Goodman 1985 and the collection of papers edited by Beyon (ed.) 1985.

20: After the miners' strike in 1974 the NRC was in operation on the following occasions: October 1980 to February 1981 (full activation) during the prison officers' dispute; summer 1981 during the inner city riots (full activation); early summer 1982 during the papal visit (full activation). During the miners' strike in 1984-5, the NRC was first put into its monitoring phase and became soon fully activated (see Kettle 1985). Additionally, the NRC holds annual practice exercises.

21: See also the recent LINK-UP campaign of the TGWU and GMB's FLAIR campaign. Both campaigns seek to organise the growing section of part-time and temporary workers (see

Oliver/Wilkinson 1988).
22: For recent studies on market socialism and individual rights see Esping-Andersen (1985); Plant 1988; Przeworski (1985,1986); for critique see Hübner/Stanger (1986) and Müller (1988).
23: See Hyman (1987) for an assessment of the proposals put forward by McCarthy and the TUC in 1986; and of the critique voiced by the different protagonists against each other.
24: While it would be misguided to regard statuatory rights protecting the low waged as an effective instrument in the past, the weakening of wage councils is, nevertheless,an important moment of the legal decomposition of established working class advances.
25: Spence develops his argument in reference to Knight 'Investment profits and unemployment; the prospects for capitalist recovery', in Cowling, K. et.al.; Out of Work: Perspectives on Mass Unemployment, (University of Warwick) 1984
26: Hyman develops his argument in reference to Michels (1948) and C.W. Mills (1948/1970)
27: "In August 1983, Norman Tebbit (then the Employment Secretary) wrote to the catering industry wage council opposing an annual increase in workers' pay of 9p an hour to £1.63 an hour; he said it would be 'harmful to business and jobs" (Esam et.al. 1985, p. 45).
28: These schemes are not administered by the MSC but by the Department of Employment (see Goldstein 1984).
29: The labour legislation of the 1980's makes strike action against cheap labour unlawful as it would violate the law in several aspects: no political strikes; strikes only against the direct employer and direct working conditions.
30: 'NIT' stands for the government's New Training Initiative out of which YTS was born.
31: Pike, 'Construction Chief Warns MSC on Training Scheme', *Financial Times*, 11.3. 1983.
32: The integration of employment and social policy responds to the failure of the market to bring down unemployment in the face of increasing wage differentials and economic boom. According to monetarist prescription the reconstruction of the market would bring about an accommodation of wages levels, allowing the problem of unemployment to be resolved through the determination of prices by means of the interplay of demand and supply. However, wages increased on average, in spite of a massive pool of cheap labour. The Thatcher government regarded the boom as indicating the self-regulating power of the market. Thus left monetarists struggling to explain why it is the case that in the UK average wages are not responding to high levels of unemployment.
33: I laid the foundation of the terms 'subjective constitution of constant capital' in chapter II. The foundation of the term is the presence of labour in and against capital. When speaking about the subjective constitution of constant capital I emphasise the contradictory constitution of constant capital: the revolutionising of social reproduction and the need for capital to confine social reproduction within the limits of the reproduction of capital. The contradictory character of capital's revolutionising of the means of production involved the appropriation of the products of labour on the basis of an accumulation of debt and the recomposition of labour's disruptive power which capital sought to contain through managerial strategies such as work-with-pride.
34: These arguments are closely related to the work of Negri (1987b) and Agnoli (1986).
35: Jessop's (et.al. 1984) use of the term 'two-nation' strategy expresses the same phenomena without, however, insisting on the class conflict in and through which the Thatcher government was forced to segment the collective strength of labour. In Jessop, the term is used in a merely descriptive way. Jessop et.al. use the term as a presupposition, rather than as an analytical concept of social conflict.
36: The expansion of social security expenditure was due both to the jump in the numbers of people claiming unemployment benefits, and to the sharp increase in the numbers of pensioners (Krause 1989).
37: The Lothian Regional Council was forced to make cuts under the direct control of the Scottish Secretary of State in 1981 (Krieger 197;D.Hall 1983). In contrast to local authorities in England and Wales, the statuatory position in Scotland is much more restraint, "since the Scottish Office has powers to reduce its grant to authorities which are deemed to be spending unreasonably, and require either cuts or rate reductions to be

made to obtain the grant" (D.Hall 1983, p. 64).

38: The 1985 Access to Information Act gave legal right to access to documents of the local authorities, including its meetings and sub-committees. Local authorities have fallen short of the provision of the legislation (Travers 1987, p. 22).

39: The Social Fund was found unlawful by the High Court decision on February 21st, 1990. The High Court ruling said the official guidance to local social fund officers that they should be bound by cash limits was defective because it went beyond 'what could properly be considered guidance' (see *The Guardian* 22.2. 1990).

40: Recently, a High Court decision reserved judgment on the Avon county council's challenge to the decision of the Education Secretary to allow a school to opt out of its control. The council claimed opting out would disrupt other childrens' education (see *The Guardian* 22.2. 1990).

41: Parts of the following are taken from Clarke (1988a, p. 173).

CHAPTER VI

MONETARISM AND CLASS

This chapter brings together the overall argument of the thesis.

The single most important historical event during the last two decades has been the deregulation of the international money markets in 1971 and 1973. While the policies of deregulation came to be identified in particular with Reagan and Thatcher, the fundamental shift in the international composition of order to which their policies responded was the disruption of the circuit of social capital. The rupture of the system of Bretton Woods and the deregulation of the dollar from the gold standard in the early 1970's did not come as a mere economic accident. By 1971, the crisis of global overaccumulation had reached a point of no return. The crisis of containing the productive and disruptive power of labour within the limits of accumulation expressed itself in a tension between the credit-system and functioning capital, i.e. between different value forms in the unity of the one process of social capital. The supremacy of money capital is a direct expression of the overaccumulation of capital. There was too much capital in the world, more capital than could make a reasonable profit from the exploitation of labour. In turn, unemployed capital started to run all over the the world to yield profitable returns in speculative and unproductive investment. The supremacy of monetary accumulation expresses the productive and disruptive power of labour as capital was made unemployed and as unemployed capital sought to achieve profitable returns in a less risky investment on financial markets. The supremacy of money capital constituted the contradictory unity of surplus value production in the form of a conflict between functioning and money capital. The more accumulation is sustained by credit, the more effectively capital needs to exploit labour so as to increase profitability, which is the only way of keeping up with debt. The key to capitalist reproduction is how effectively capital can exploit labour. The speculative reproduction of capital involved an accumulation of claims on future exploitation. The accumulation of debt expresses the contradictory character of the capital relation, that is of the tendency of capital to the unfettered revolutionising of the productive power of labour and the need to confine the productive power of labour within the form of capital (profit). The speculative dimension of accumulation signals the power of labour to resist an effective exploitation of its ability to work. The power of labour is expressed in the inconvertibility of capital as command over labour for the purpose of the expanded reproduction of surplus value production. The power of labour to resist effective capitalist command over its productive power expressed itself in the prolongation of the crisis of capitalist overaccumulation, thus permitting a more and more frenzied flow of capital around the world in pursuit of profitable returns in speculative and unproductive investment.

In the most general terms, the form of the state is constituted through the global character of accumulation. The subordination of the state to the power of money implies that political stability has to be achieved on a national basis, which presupposes the ability of the state to secure domestic accumulation, the limits of which are presented by the overaccumulation of capital on a world scale. While the state has influence over domestic accumulation, it has no such power over the global accumulation of capital. The limits of the ability of the state to achieve the integration of the working class and to secure domestic accumulation are defined by the constitution of the contradictory unity of surplus value production on the world market. Further, the limits of global accumulation impinge on the state in the form of monetary pressure which imposes the need to tailor policies in such a way as to avoid threats to the formal exchange equality of domestic accumulation on the world market. Additionally, the nation state exists, fundamentally, in the form of the international state system, and corresponding forms of international modes of integration of global accumulation. Nation state are a particular node within the international flow of capital. During Bretton Woods, the nation states were closely integrated into the international flow of capital on the basis of the subordination of currencies to the dollar, and the convertibility of the dollar into gold. With the failure of Bretton Woods, balance of payment problems impinged on states much more directly as the insulating effect of Bretton Woods on currency speculation no longer obtained. This meant that domestic attempts at managing economic growth could no longer ignore the global limits of capitalist accumulation.

However, in the face of the unprecedented upsurge of class conflict in the late 1960's and early 1970's, management and political authorities were careful not to provoke costly and damaging strikes. Originally, Keynesians viewed the deregulation of international money as a liberation from the constraints on domestic management imposed by Bretton Woods. "The floating of exchange-rates was celebrated as successful in making Keynesian policy universally more elastic by removing the restrictions of the international balance of payments" (Itoh 1978, p. 1). The celebration of 'floating' expressed a pragmatic response to the class conflict which had undermined Heath's deflationary policies in the early 1970's. The attempt to normalise and pacify the class struggle gave rise to a corporatist strategy of class collaboration, as institutionalised in the social contract between Labour and the trade union movement. In the face of the the fundamental shift in the international composition of order in the early 1970's, Keynesian policies of class collaboration involved the sustaining of accumulation on the basis of rising inflation and growing public expenditure problems. "The crisis of Keynesianism appeared as such mode of integration confronted the limits of inflation and the fiscal crisis of the state" (Clarke 1990a, ms. p. 19). Keynesian policies attempting to harness labour through social reforms had lost their ability to contain the class struggle. The use of credit as a means of deferring capital devaluation and liquidation implied a growing claim of financial markets on reserve money, the guarantee of which depends on the ability of the state to confine the working class within the limits of accumulation through deflationary policies. In the mid-1970's, not only in Britain, but throughout the world, governments said that they could no longer follow Keynesian policies so as to maintain employment, welfare and living standards. When the Keynesian integration of labour shifted from expansionary policies to deflationary attack, it became clear that the attempt to transform protest into demand was to be replaced by a policy of law and order control. How can one understand this development?

The break-down of Bretton Woods involved the (multiplicity of nation) state(s) in acting as lender(s) of last resort. It was the central banks that guaranteed the exchangeability of all money. The total supply of money could not be devalued by simply destroying some money through inflation, credit default and collapse of banks because of the threat to the international composition of order that rested on the sustaining of credit. Money, as the supreme social power through which social reproduction is subordinated to the reproduction of capital, is constituted, in the form of credit, as the most abstract and fragile form of capital. The political constitution of the presence of labour in and against capital in the form of the state entails the compulsion to subordinate social reproduction to the production of abstract wealth. Such a subordination, however, exists only in and through labour, thus forcing the state to impose the limits of accumulation through the disorganisation of class relations on the basis of the wage relation.

The integration of domestic accumulation on the world market rested on the deflation of national money. The ability of the central banks to act as lender of last resort depends on the acceptance by international money markets of the political guarantee of debt and its enforcement. The acceptance of credit as a claim on tax revenue depends thus on sound monetary policies. The ability of the state to act as lender of last resort depends on a socially controlled deflationary attack on the working class. The attempt to regain control over the shop-floor through legal intervention and to stimulate the reassertion of the right to manage in production stems from the pressure on the exchange rates of national currencies through speculative pressure by private capital responding to inadequate reserves, precipitated by a drain on reserves. Such a drain questions the ability of the national banks to guarantee credit, while the pressure on currency involves a threat to the formal exchange equality of national wealth on the world market. In order to guarantee the convertibility of currency, the state needed larger, not smaller, reserves. The gaining of larger reserves implies the imposition of money in command over the working class: i.e the subordination of the conditions of life to tight money and the intensification of work so as to stabilise the reserves (earning of foreign cash). The imposition of money in command involves the attempt to turn credit into real value through a more effective exploitation of labour. The reintegration of the multiplicity of nation states at the level of the international terrorism of the money power of capital not only undermined national responses to the crisis of accumulation. It also made the multiplicity of nation states much more dependent on each other as the failure of one to contain the working class through deflationary attack involved a disruptive development for all. The international integration of nation states through unregulated world money markets imposed uncertainty and volatility upon the national organisation of reproduction. Uncertainty and volatility made itself felt by the state in the form of floating exchange rates that asserted the limits of global accumulation over the state in the form of monetary constraint. The global limits of accumulation imposed themselves upon the state through speculative pressure on exchange rates, a drain on reserves, interimperialist rivalry in the form of interest rates policies with which nation states sought to secure the integration of domestic accumulation on the world market, and, ultimately, the questioning of the ability of the central bank to act as lender of last resort. The global character of accumulation implied that the domestic organisation of money could not ignore the importance of maintaining the stability of the formal exchange equality of currency on the world market so as to permit the integration of national wealth into the global accumulation of capital. However, the deflationary attack on the working class is not so much a question of the domestic imposition of work but, more fundamentally, of the global stability of capitalist accumulation. The central bank reserves are closely integrated with the global flow of money, making the achievement of higher domestic reserves a valued asset for the guarantee of international credit-relations only insofar as the multiplicity of states are able to contain the working class within the limits of accumulation (see, for example, the global implications of a decline of the dollar and a sharp US contraction; and see the implications of Mexico declaring insolvency in 1982).

The money power of capital needs to be conceived of at the most fundamental level of the class struggle over the form of the capitalist state. This is so because, in money, the abstract category of labour attains its most rational and at the same time meaningless form of existence (M...M'), a mode of existence which is in contradiction to productive activity and labour, while, at the same time, existing only in and through the latter; and conversely. M...M' exists only in and through the ability of capital to exploit labour effectively, i.e. to harness labour as the variable component of capitalist command for exploitation. The money power of capital is the incarnation of the capitalist ability to confine the abstract category of labour within the form of capital, i.e. to turn labour's productive power against itself: the reification of the form-giving fire of labour as thinglike (profit). It was through the reification of labour in the form of money that the limits of capitalist reproduction asserted themselves to productive capital (i.e. availability of credit, inflationary pressure on profits, speculative deferral of insolvency). The reimposition of the limits of the capitalist form of social reproduction involved class struggle over the intensification of work (i.e. the recomposition of capitalist command over labour) and over the recomposition of the way in which labour's disruptive power was channelled through the state (i.e. the enforcement of debt in and through the destruction of the Keynesian relation between public expenditure and wages, a relation which expressed the political power of labour to command a living standard that involved the deficit financing of demand).

With the break-down of Bretton Woods, domestic attempts to contain labour through inflationary demand management were no longer insulated from short-term speculation of capital on private money markets. The constitution of labour's productive and disruptive power in the reified form of the global power of unemployed capital put pressure on the domestic organisation of money. While this pressure involved the power of money to command the intensification of labour so as to guarantee the convertibility of credit into means of payment, the power of money is contradictory. The intensification of labour entails the assertion of labour's productive power which takes the form of a mass devaluation and liquidation of productive capital at the same time as the exploitation of labour requires a commitment of further credit so as to finance the methods of production with which to exploit labour. The reconstitution of the circuit of social capital on the basis of the supremacy of the valorisation process over the labour process involves a threat to the stability of credit-relations through the devaluation and liquidation of productive capital, thus permitting a possible collapse of credit relations through the collapse of accumulated claims on surplus value. During the 1970's capital sought to integrate labour on the basis of controlled stagflation, during the early 1980's on the basis of a vigorous enforcement of debt and after 1982 on the basis of deficit financing of accumulation and a policy of state austerity over the conditions of life. The latter phase corresponds to the monetarist policies of reconstituting the working class on the basis of the market, i.e the instantiation of the economic freedom and non-coerced equal exchange.

During the last two decades, the class struggle over the reimposition of capitalist command over labour for exploitation intensified the speculative dimension of accumulation, leading up to the debtor crisis in 1982 and the crash in 1987. Productive accumulation has to succeed in order for money capital to be sustained, while the failure to contain and to harness the productive and disruptive power of labour reasserts, for productive capital, the limits of the market's capacity to realise capital profitably in the form of monetary constraint leading to insolvency and bankruptcy. At the same time, the default of productive capital threatens to bring about a collapse of the credit-relations, upon which social relations rest. In order to sustain the elementary form of capital, labour and productive capital need to be sacrificed so as to make it possible for money capital to absorb heavy losses without defaulting. At the same time, the sacrificing of surplus value production on the altar of money destroys the basis through which the money power of capital subsists. The constitution of class antagonism in the form of the supremacy of money capital over productive activity and labour involves the state because of the state's responsibility for national currency (state as central banker). The pressure on the financial stability of the state indicates the reassertion of the contradictory unity of surplus value production over the form of the capitalist state through the abstract equality of the money power of capital. This power manifests itself to the state not in terms of money as a measure of exploitation, or as a means of comparing and equalising individual concrete labours with each other as private labour in a social context. The power of money manifests itself through the power of money as capital. As I have argued in chapter II, the power of money as capital is collective and abstract because it is the meaningless and, at the same time, the most elementary form of the abstract category of labour, its incarnation and its (self-contradictory) negation. The reassertion of the abstract equality of the money power of capital over the state involves the state in reimposing upon the conditions of life the meaningless form of capital. As I have also argued in chapter II, the state is a mode of existence of labour in capitalism; the state mediates exploitation in and through the form of the rights of property. This mediation involves the imposition of work through the commodity form, the safeguarding of formally free and equal exchange as the precondition of exploitation and the converse. Such mediation implies that the state exists as a moment of the self-contradictory existence of capital: the tendency of capital to develop the productive power of labour without limits and the need to confine accumulation within the limits of capital. The key to this confinement is the ability of capital to exploit labour effectively. As for the state, the key to the containment of labour within the capitalist form of reproduction is the decomposition of class relations on the basis of the value form, i.e. the imposition of market equality, permitting a constitution of labour in the form of wage labour and decomposing class relations on the basis of the fragmented property owner of labour power.

The class struggle over the confinement of labour within the limits of capital involves the state in imposing the generality of social existence (value production) over the social in and through the elementary form of capital (money). The state attains existence as the collective representative of money in command: i.e. the subordination of the conditions of life to monetary scarcity, involving law and order control. The attempt to reimpose the abstract equality of value upon the conditions of life involves the constitution of the class conflict over domination at the most elementary, nevertheless self-contradictory, mode of existence of class antagonism. The class struggle over the money power of capital involves the reconstitution of the state as the political force of the harmonies' last refuge, i.e. the harmonies of formal freedom and equality upon which the rule of value rests. This reconstitution of the state does not involve the state in resolving the contradictions of capital. The state reproduces them in political form.

Monetarist and Keynesian policies intervene into the circuit of social capital from different extremes. While Keynesian credit policies intervene in the circuit of social capital through the circuit of productive capital (demand management), accentuating the tension by discriminating against, and provoking a possible collapse of, money capital, monetarism intervenes through the circuit of money capital. This intervention accentuates the tension on the side of productive capital. In the face of the deregulation of world money markets, the monetarist assertion that, if there is inflation, then the money supply needs to be deflated, is basically correct. However, it is correct only in the wider sense of monetarism, i.e. the monetary decomposition of the class relations through the subordination of the working class to the abstract equality of money in command. Keynesian policies sustained accumulation through a speculative expansion of credit. Credit expansion sustains overaccumulation of capital, precipitating a default of credit through the failure to turn credit into effective command over labour, leading to the erosion of credit as a claim on surplus value. The sustaining of accumulation through credit resulted in a deep recession by the end of the 1970's, a recession that was the deeper the more accumulation was sustained by credit. On the other hand, a monetarist credit policy sacrifices production and labour on the altar of money to such an extent that it undermines the basis of credit itself.

In the face of the reconstitution of the circuit of social capital on the basis of credit, it is the financial system that determines the limits of the market and it is the state that sets the general context of financial regulation by imposing a restrictive money and credit policy. A restrictive credit policy was most vigorously applied in the institutional form of the MTFS under the Conservative government in the early 1980's. While attacking the working class through high interest rates and mass unemployment, the presence of labour in and against capital manifested itself through a massive collapse of productive capital and depressed international credit relations. In the early 1980's, monetarist credit policy reasserted the crisis of surplus value production through the collapse of productive accumulation. Moreover, the rise in interest rates, domestically and internationally, pushed the margins into the centre. The problem of international stability was threatened by the failure of debtor countries to contain the class struggle over the imposition of money in command. The imposition of the abstract indifference of money in command threatened to destroy its own precondition (i.e. the harnessing of the productive power of labour). Monetarism's abrasive attack on the working class through high interest rates, mass bankruptcy and mass unemployment, brought to the fore the self-destructive power of money. By 1982, it became clear that the deregulation of international money and credit relations had come into conflict with its effects. The formidable attempt to contain labour through a policy of state austerity contradicted its practice. The constituting presence of labour in and against capital asserted itself in the form of a severe depression as a massive claim on surplus value defaulted. The limits of accumulation asserted themselves in the form of a scarcity of the credit with which labour's productive power had been contained on the basis of a speculative deferral of overaccumulation. In the face of a looming collapse of international credit-relations, monetarism as an economic policy was dropped, domestically and internationally, and replaced by a policy of fiscal redistribution and credit expansion, containing labour through renewed speculative deferral of overaccumulation and crisis. The shift in emphasis implied the use of the Keynesian policies which monetarist ideology had officially proclaimed against.

In the event, Keynesian and/or monetarist credit policies reproduce the tension between the different value forms from different extremes, neither of which resolves the movement of the contradiction. Both accentuate different moments of the contradictory unity of surplus value production, stimulating a break-down of both through the sacrificing of one moment of the contradiction in favour of the other. The state can only reproduce the movement of the contradiction in a political form. The dissociation of monetary from productive accumulation is real as it constitutes the contradictory unity of surplus value production in the form of a crisis-ridden disunity between functioning capital and the credit-system. Both of these poles of the contradiction exist as different moments of the circuit of social capital, a crisis-ridden contradiction which entails the crisis of domination over labour. While reproducing the contradictions of capital, the class struggle over credit and money policies involves the struggle over the reimposition of the value form upon the conditions of life in and through unemployment, deflationary attack, imposition of poverty, intensification of work and law and order control that the imposition of tight money over the working class, and the monetary decomposition of class relations, demands.

The massive attempt by monetarism to bring back the market rested on the failure to control and to contain the class conflict through forms of Keynesian class collaboration. The failure to confine the working class within the limits of accumulation provoked political pressures to cut back on deficit financing of integration costs, i.e. the destruction of social relations constituted on the basis of social reform. This is expressed in a policy of state austerity, seeking to replace universal forms of working class integration in favour of the 'market'. The pressures to recompose the role of the state did not arise from the success of the New Right in simply taking over the political agenda. The emergence of the New Right is the outcome of the failure of Keynesianism to control and to contain class struggle on the basis of social reform within the limits of accumulation. The abandonment of full employment guarantees in 1975 under Healey and the abrasive attack on the welfare state from 1976 onwards did not simply reflect ideological changes, nor are they merely the result of economic crisis, but rather they are the result of the class struggle over the reimposition of the value form upon the conditions of life. In retrospect, the demise of Keynesianism and the rise of monetarism are a product of a rupture that has been dominated by capital. The political significance of monetarism concerns its ability to decompose class relations on the basis of the market, i.e. the ability to impose work through the commodity form. Such imposition involves the enforcement of law and money as the supreme social power through which social reproduction is subordinated to the reproduction of capital.

During the period of the social contract, the imposition of money in command rested on the ability of the trade unions to secure social discipline, i.e. to pacify resistance to deflationary attack. Such normalisation of class conflict rested, in turn, on the harnessing of a distinct workers' interest, involving a fragmenting (i.e. discriminating) imposition of austerity measures. The class collaboration involved the organisation of the working class in terms of the 'corporatist collective', permitting the exclusion of, and a drastic deflationary attack on, those who are not constituents of Labour and the organised trade union movement. On the other hand, the harnessing of a distinct workers' interest involved a monetary expansion in exchange for wage restraint (e.g. nationalisation of industry, subsidies for lame ducks). The deflationary attack on the working class rested on the decline of industrial militancy in the face of rising unemployment and the exhaustion of working class energy through institutionalised forms of class collaboration. The pacification of the class conflict during the 1970's rested on the fragmentating integration of the working class. The tension between monetarist policies in a Keynesian framework of class collaboration manifested itself most strongly over income policies. Income policies depended on the passivity of those workers attacked by it. The tension came into the open in 1977 when calls for a return to free collective bargaining gathered momentum. The class conflict over incomes policies involved those workers upon whom the stability of the social contract rested.

Growing resentment over income restraint questioned the Keynesian concept of the interventionist state and the diffusion of the state to the shop-floor through legal intervention, formalised bargaining procedures and trade unions' policing of their members. The failure to contain the class struggle implied also that the fragmenting monetary and legal decomposition of class relations teetered on the edge of collapse.

Retrospectively, it can be seen that the normalisation of class conflict on the basis of the global expansion of credit contributed to two major developments. Firstly, the crisis of overaccumulation gave rise to a rapid globalisation of productive capital from the late 1960's onwards. This globalisation was expressed through the merger boom of the 1960's and the close integration between multinational companies and international money markets during the 1970's. Multinational companies raised funds on international financial markets and were on average the biggest creditors of these markets. Growing cross-investment between productive capital and money capital constituted a means, for the more advanced producers, of redeploying their capital to more profitable areas. The changes in the relationship between different moments of the one process of value manifested themselves through the circuit of money capital, obliterating different value forms on the basis of financial capital. The international reorganisation of exploitation involved the relocation of productive investment into less cost-intensive areas and gave rise to trade union fears about job losses and wage pressure at home. This fear, in turn, contributed to the, however reluctant, acceptance of income and austerity policies by the trade unions. The international orientation, and the diversification of investment interests, of the more advanced producers made them less and less dependent on domestic markets at the same time as they relied more heavily on predictable exchange rates and sound monetary policies so as to maintain and improve conditions of formal exchange on the world market.

Secondly, credit-sustained accumulation involved the extension of credit in the form of recycling credit, a use of credit designed to prevent difficulties in servicing interest from turning into insolvency. The accumulation of debt or, in other words, the speculative supply of credit, gave accumulation an ever more speculative dimension which reasserted the limits of accumulation in the form of ever more fragile international credit relations and increasing rates of interest by the end of the 1970's. The deregulation of international money markets in the early 1970's accelerated the disruption of the capitalist cycle as credit came to the fore as a means of going beyond the limits of the market. Credit-expansion served to reimpose the limits of capitalist reproduction much more forcefully not through the regulative power of the market but, rather, through the power of money (scarce and expensive cost for further credit). The use of credit committed in advance a share of profit not yet created. At the same time, the (multiplicity) of state(s) guaranteed all money through the reserves of central banks. The more that credit sustained accumulation, the more claims on money on central reserves accumulated. In order to defend the formal exchange equality of national currency on the world market against the effects of speculative pressure on exchange rates, the state needed to regain control over public expenditure and wages so as to secure the integration of domestic accumulation into the world market.

The attempt to pacify the working class on the basis of the wage relation involved the politicising of the wage. The political strength of the working class commanded, in spite of deflationary attack, the deficit financing of living standards. Capital's reaction to the downward rigidity of the wage involved speculative pressure on currency, threat to the integration of national wealth on the world market and the policing of national government through the agency of the IMF. The latter's activities did not involve a blackmail of national government but, rather, expressed in different form the urgency of cutting back on credit so as to prevent a possible collapse of international credit relations through the guarantee of credit as claim on cash payment (payment of taxation).

Although the social contract proved to be successful in imposing a massive redistribution of wealth and in achieving huge cuts in welfare spending, a much more radical imposition of monetary policies was ruled out because of the political adherence to the integration of the working class on the basis of social reform, upon which, in turn, the class collaboration with the trade unions, and thus the normalisation of the class conflict, rested. By the end of the 1970's ever more fragile money markets coincided with an increasingly drastic attack on those workers whose aspirations were in the main seemingly protected during the monetary decomposition of class relations. With the adoption of a more vigorous deflationary attack by 1977 (e.g. macho-management at BL and the proposal of drastic income ceilings in 1978), the social contract gradually lost its ability to contain the class struggle. The state's response to the looming recession, drastic balance of payment problems and the crisis of the pound in 1976, undermined the stability of the social contract as the deflationary attack provoked renewed industrial militancy. The synthesis between domination and its legitimising discourse started to crack as it became obvious that 'Labour was not working'. Persistent 'economic' pressure and a looming global reassertion of overaccumulation and crisis by the end of the 1970's undermined the credibility of social planning, i.e. the planning of deflation on the basis of class collaboration.

The rise of the New Right was precipitated by the crisis of Keynesianism. The sacrificing of the institutional strategy of social reform on the altar of money characterises monetarism's ideology and practice. The strength of monetarist ideology lies in its simplicity. Fundamentally, monetarism provided a radical response to the crisis of the state: as full employment growth guarantees could no longer be made without endangering domestic accumulation, monetarism declared the destruction of employment guarantees to be a condition for economic recovery; as Keynesian integration costs triggered a financial crisis of the state, monetarism declared the destruction of material concessions as a means of reimposing conditions of unfettered economic growth; as a corporatist strategy of social integration failed to secure social peace, monetarism declared trade unions to be undesirable labour market rigidities which prevent the expansion of employment; as the collective power of labour brought down the social contract, monetarism declared that the political influence of trade unions over the state undermines the generosity of the market as the basis of all democratic and economic freedom. Cutting back on state deficit, i.e. cutting back on credit, means trying to undo the entirety of the way in which social relations had been constituted since the war: pushing the trade unions out of the state, cutting back on social welfare expenditure, cutting back on local government, and making the state more repressive through bureaucratic forms of control with which to enforce the imposition of money in command. In order to make certain the acceptance of the rule of money, monetarism, no less than Keynesianism, relied on the expansion of money; only now this expansion was overtly repressive in character. Monetarist use of public expenditure brushed away Keynesian forms of integration in favour of the use of money as a means of subordinating social relations to the impersonal power of money.

Under monetarism, monetary expansion is a means of undermining the ability of the working class to command a living standard 'incompatible' with the limits of accumulation. No less than Keynesianism, monetarism depended on sustained accumulation so as to polarise and fragment class relations. The legitimation of money in command depends on inputs that affirm the generosity of economic freedom. Any failure of monetarist policies reaffirms those same policies' aggressive strength, as failures can be attributed to institutional and political barriers which hinder the unfettered rule of money. Monetarism as an ideology draws strength from its failures in practice (Clarke 1987). While the New Right sought to subordinate the state and society alike to the unfettered rule of world money, it did not entail, despite ideological references, the reimposition of the liberal form of the state (laissez faire). The reimposition of the power of money over the social implied the systematic exercise of state power: the harsh impartiality of money and legal decomposition of the working class, penetrating the social in all its ramifications. The monetarist rejection of the conception of the interventionist state in favour of the subordination of political criteria to the unfettered rule of world money implied the consolidation of capitalist state power as the concentrated force of money in command, i.e. the repressive subordination of social relations to the elementary form of equality, that is, the rule of money. The political attempt to use unemployment as a means of reasserting domination through the destruction of the Keynesian relation between state expenditure and wages involved the socialisation of the role of the state on the basis of the emergency planning of a (potential) collapse of monetary control. Struggle against money in command obtains as an immediate struggle against the form of the capitalist state because it is through the state that the power of money is mediated (erosion of deficit demand policies, discriminatory credit and money policy, the use of the welfare state in terms of social control, imposition of poverty, and economic conscription). The radicalisation of monetarist policies under the incoming Conservative government was a response to the eruptive potential of labour which had brought down the social contract and resisted the recomposition of capitalist command over labour. The rupture of the social contract did not involve a 'revolutionary situation' but, rather, the discrediting and dismantling of the form of the capitalist state power. The New Right was able to dominate the rupture by articulating monetarist policies on the basis of the rejection of the Keynesian concept of the interventionist state. On this score, the institutional strategy of the New Right, rather than inaugurating fundamental changes, continued, in more radical terms, long established trends. Monetarist policies were no longer to be embedded in Keynesian forms of class collaboration. Instead, the New Right proposed to 'roll back the boundaries of the state' so as to reinstate the freedom required for individual self-determination on the market.

The problem for the incoming Conservative government in 1979 was not the brushing away of Keynesian class collaboration but, rather, the containment of the social conflict that had brought down the social contract. In the face of stagflation turning into depression, the Conservatives sought to contain labour by attacking the organised working class through a restrictive money and credit policy. With its restrictive money and credit policy, the Conservatives reinforced the limits imposed by the market on the ambitions of producers in the form of scarce money to an extent which is now legendary: mass unemployment, deprivation of whole areas of social life and mass bankruptcy and liquidation of capital. The Conservatives responded to the political strength of labour with the disciplining force of unemployment, selective provocation of strikes, and the uncompromising suppression of strike action. However, the job shedding of the early 1980's and the reassertion of the right to manage by those employers who survived the onslaught turned the formidable attack on labour through high interest rates into a problem: the sharpening of resistance by those pushed to the margins of social life (e.g. the city riots of the early 1980's); the damaging and costly strikes by various groups of workers, the reassertion of the primacy of production over the meaningless, but elementary, form of capital (i.e. money) in the form of a possible chain reaction of credit-default. Moreover, the rise in interest rates, domestically and internationally, pushed the margins into the centre: the problem of international stability was threatened through the failure to enforce debt in so-called debtor countries. The attempt to integrate labour into the capital relation through high interest rate policies, unemployment and marginalisation of whole areas of social life, as well as heavy policing, had failed.

The relaxation and subsequent abandonment of monetarist economic policies acknowledged the presence of labour in and against capital, even at the moment of a retreat on the part of the organised labour movement. Capital had to pay a price for control through credit expansion. The intensification of work, the shedding of labour and the microchip revolution did not involve a profitable reintegration of the labour and valorisation processes. The class struggle over the money power of capital led to the reconstitution of the circuit of social capital on the basis of a renewed speculative deferral of overaccumulation and crisis, precipitated by renewed global deficit financing of demand, thus integrating the labour and valorisation processes on the basis of debt. In 1982, the change in emphasis from monetarist to Keynesian economic policies responded to the class struggle over the money power of capital, a struggle monetarism had sought to contain and to decompose through the control of the money supply. However, while abandoning monetarism in the narrow sense, the financial conservatism of monetarism was retained. After 1982, monetarist policies involved the use of Keynesian economic policies within a tight monetary framework (i.e. the divisive reimposition of money in command over social life). In this wider context, monetarism asserted itself as representing the 'communal interest' of private production in a social context: i.e. the attempt to stabilise accumulation through credit and fiscal expansionism and to subordinate the working class to the money power of capital. The inflation of credit coincided with tight monetary policies designed to enforce debt over the working class. The political stability of monetarism rested on sustained accumulation, domestically and internationally. The massive devaluation and liquidation of capital between 1979 and 1982 had not removed the tendency towards overaccumulation of capital, nor had it confined accumulation within the limits of the market. The massive destruction of capital coincided with renewed speculative accumulation of unemployed capital. During the 1980's, the rise of the City and the financial markets throughout the world was not a sign of strength, but the mirror image of the weakness of capitalist reproduction.

The speculative accumulation of the 1980's stretched the limits of the market through credit and the ultimate barrier to accumulation appeared to be the availability of credit. However, the availability of credit is the availability of money capital that reasserts the limits to capitalist accumulation in the form of speculation and (eventually, as in 1987) a financial crisis. The debt crisis in 1982 and the crash in 1987 express the underlying crisis of capitalist domination over labour for the purpose of exploitation. The monetarist attempt to contain the presence of labour in and against capital involved a two-fold use of money: the instantiation of the generosity of the market through fiscal and credit expansion, harnessing a distinct workers' interest through wage concessions, secure employment and property ownership (i.e. privatisation of interest); and the attempt to enforce debt through the destruction of the relation between public expenditure and wages, thus imposing poverty and low paid work. The individualising and repressive use of money entailed a pacification of the working class on the basis of selective access to the benefits generated by the boom, the imposition of the spirit of inequality and hierarchical values. As the boom was sustained by an explosion of domestic and international debt, governments were able to isolate working class resistance to tight monetary policies and intensification of work, at the same time as capital was able to concede pacification costs in the form of rising wages for some sections of the working class. In turn, privatisation came to the fore as a means both of financing the growing level of public expenditure which the control of labour commanded and of exploiting the divisions within the working class as between those who benefited from the boom and the vast majority of the population who were its victims. The stability of monetarism rested on the ability of the state to guarantee international money by acting as lender of last resort, that is by enforcing debt over the working class. The enforcement of debt took the form of a divisive monetary decomposition of class relations. The attempt to disorganise the class struggle through the generosity of the market involved a fiscal and credit explosion in a tight monetary framework. "The fact that the New Right has presided over continuing increases in state expenditure, has strengthened the power of the state and has expanded its repressive apparatuses, appears to belie its liberal rhetoric" (Clarke 1990b, ms. p. 19-20). Originally, the New Right had sought to impose the limits of accumulation upon the state, capital and the working class by means of a restrictive intervention into the circuit of social capital through the effects of high interest rates on the circuit of money capital (i.e. MTFS). The unmitigated failure to contain the class struggle through a contraction of the money supply led to the reintroduction of those policies the New Right officially proclaimed against: the fiscal and credit expansionism of Keynesianism. However, Keynesian economic policies were embedded in a monetarist framework of tight monetary control. The 1980's recomposition of the role of the state involved a centralisation of power in terms of centralised budget control, the fencing off of possible space for oppositional activities, the demobilisation and demoralisation of the working class through heavy policing, individualising forms of legal and monetary intervention and the recomposition of the welfare state in terms of efficiency and repression. State budgeting was no longer to be used as a means of recuperating and neutralising the class struggle over exploitation but, rather, as a means of subordinating the social to the reproduction of capital on the basis of a divisive imposition of the wage relation.

The fencing off of oppositional space implied a rigorous imposition of obedience to the centrality of money. The systematic exercise of state power indicates the uncertainty of containing the class struggle on the basis of tight money. Alongside the polarising distribution of the benefits generated by the boom, the fencing off of oppositional space involved the destruction of institutional networks of interest-intermediation (i.e. formalised forms of negotiation of policies with government and their implementation at the shop-floor) and their replacement by a policy of legal and monetary decomposition of the 'right' to strike. This attack was made possible by the heavy defeats of the organised labour movement in the early 1980's, while the boom provided, in the face of mass unemployment, real gains that cushioned resentment. The individualising imposition of exchange equality (i.e. the equality of social relations on the basis of money) was based on debt and was supervised by a state prepared to crush dissent through the use of force. The instantiation of the generosity of economic freedom involved the use of force as a means of imposing the abstract equality of money over the conditions of life, thus securing capital's claim (credit) on future life.

The credit-sustained accumulation in the 1980's was one of the key means of fragmenting, isolating and individualising the class conflict. In the face of the Thatcher government's taking refuge in Keynesian instruments, the destruction of the relation between wages and public spending involved the fragmenting attack on trade unions, the deregulation of collective responsibility for the running of social services, the imposition of poverty (legitimised euphemistically as targeting resources on those most in need) and the extension of legitimate violence as a means of enforcing the abstract equality of money in command through law and order control. The attack on the Keynesian concept of the interventionist state involved the use of force (i.e. paramilitary policing and emergency measures) so as to guarantee and to maintain formal exchange equality. The destruction of collective forms of integration implied a coercive integration of labour so as to prevent the possible collapse of cash control.

Despite intensification of work, improved economic performance and a successful management of international debt during the boom, the explosion of international and domestic debt showed how fragile was the attempt to decompose class relations on the basis of the 'market'. Credit expansion helped to defer the rupture of accumulation by going beyond the limits of accumulation. However, to go beyond the limits of accumulation in this way means to go beyond only ideally, precipitating a crisis which is the deeper the more accumulation is sustained by credit. The crash in 1987 showed that the attempt to overcome the barriers to accumulation by the reconstitution of the circuit of social capital on the basis of speculation was a mere fiction, even in the moment of a boom. After 1987, the shakiness of speculative accumulation demonstrates the exhaustion of the attempt to control class struggle through credit-expansion. The uncertainty of debt calls into question the monetarist attempt to recompose class in terms of the categories of property owner and citizen. The individualising monetary decomposition of class relations comes to the fore in its most violent form: the exhaustion of the illusion of prosperity (private debt and mortgage default). Credit has to become effective command over labour. Such an effective command implies not just the intensification of work and the repressive exclusion from production of those whom capital is forced to disregard as a variable for exploitation but, rather, the reconstitution of the circuit of social capital on the basis of a recomposed relation between necessary and surplus labour. Such a reconstitution of the circuit of social capital does not just involve, as during the 1980's, the 'refetishisation' (Holloway 1990b) and decomposition of social relations as thinglike, i.e. the divisive and fragmenting reconstitution of class in terms of the abstract citizen and property owner. Rather, it involves the 'remediation' (Bonefeld 1987c;Psychopedis 1988;Gunn 1987c) of the class antagonism through force. Such a remediation involves not just the intensification of work but the scrapping of labour power, and the expropriation of collective forms of class organisation through the destruction of social relations (Bonefeld 1988).

The monetarist attempt to reimpose the rule of money involves, as its precondition and result, a 'state of emergency': i.e. the suppression of dissent to the commanding power of money, to the control of legal and monetary decomposition of class relations, to the well-ordered acceptance of the intensification of work and to the imposition of an environment that is certain. Credit-sustained accumulation entails the use of force with which the state seeks to ensure the maintenance of exchange equality. The use of power involves an attempt to ensure the right of property in its most abstract form: the enforcement of claims on not yet existing value, that is the surplus value not yet produced by the workers. The shift in emphasis from an emergency state of a booming economy to an emergency state of a looming reassertion of overaccumulation and crisis brings to the fore the abrasive character of the reconstitution of the social on the basis of the market. The class struggle over the money power of capital entails that the state becomes constituted as the political force which imposes the limits of capitalist reproduction over the social through the elementary form of capital, that is the money power of capital which for its part exists as claim on future life. In the face of a constitution of the social power of money on the basis of debt, the state attains generality as the political form of money in command: i.e. the organisation of labour power on the basis of the planning and control of social conflict and of the anticipation of the political behaviour of the working class whose constituting power asserts itself in the form of the fragility of the pyramid of debt. Hence, a state of emergency, prepared to resort to provocation and the use of force against the working class (Agnoli 1986). The post-1929 development of capitalism signals just this. The movement of the contradictions of capitalist domination is determined by the outcome of class struggle.

The crash signalled the fragility of the individualising disorganisation of class relations and has put the monetarist attempt to impose control through debt and its enforcement to music. The composition of the music is precipitated by the crisis of the monetarist institutional strategy for containing the crisis of Keynesianism. The reification of labour in the form of money established a form of capitalist command in which seemingly marginal disruption (e.g. Mexico's declaration of insolvency) involves a risk of massive devaluation and collapse on a world scale. The 1987 crash expressed the exhaustion of Keynesian economic policies in a monetarist framework, i.e the inflation of credit and a policy of state austerity over the conditions of life. However, why risk a collapse if the inconvertibility of money into effective command over labour for exploitation can be channelled into a, however fragile, boom? This is not to say that a repeat of 1929, however different in form, is a political impossibility. What the argument contends is that, as yet, capital has been able to dominate the outcome of the class struggle over the imposition of the money power of capital. However, were there to be a renewed world recession, it would imply a global collapse of credit. "In such an event Latin America gives us a foretaste of the domestic politics of monetarism in a crisis, while its global politics do not bear thinking about" (Clarke 1988a, p. 175).

Seen in this light, the shift from Labour to the Conservatives in 1979 comprises a complex of discontinuous and continuous elements. In the 1970's, the state was forced to integrate monetarist policies with Keynesian forms of class collaboration; the incoming Thatcher government continued, in a more radical fashion, monetarist economic policies in a monetarist framework. By 1982, the attempt to control and to contain labour through high interest rates and debt service had broken down. The subsequent relaxation of monetarist credit policies involved, fundamentally, the use of Keynesian instruments to sustain accumulation. However, while Keynesian economic policies continued to be used, the imposition of tight money over the social conditions of life was retained. The crash in 1987 signalled how weak were the foundations of Keynesian policies in a monetarist framework. The picture is, thus, one of a shift from monetarism (in the narrow sense of economic policy) in a Keynesian framework, to monetarism in a monetarist framework, and from this to Keynesianism in a monetarist framework. All of these shifts, I have argued, indicate the uncertainty and the difficulty capital has encountered in containing labour for the purpose of exploitation.

The break-down of Bretton Woods and the deregulation of international credit and money markets proved to be the single most important event of the class struggle in and against the form of the capitalist state. Behind the deregulation of international money lies the strategy of austerity as a means of decomposing class relationships through the ruthless impartiality of monetary and legal intervention and the intensification of work. Behind the transformation of the 'state-of-liquidity' to the 'state-of-limited-liquidity' lies the violence of money in command. The impersonality of this command is based upon the abstract equality of money, that is, the emptiness of social reproduction as domination. However, the abstract equality of command exists only through the reproduction of this command's precondition: the harnessing of labour into expanded profitable reproduction. Keynesian and monetarist policies depend on sustained accumulation so as to contain labour through the fragmenting imposition of the wage relation and on the harnessing of labour's productive power in the attempt to posit the precondition of value's most elementary mode of existence, i.e. money. Neither Keynesianism nor monetarism succeeded in containing labour's productive and disruptive power; both reproduced the contradictory mode of existence of capital in political forms. The abrasive attack on the working class during the 1980's radicalised established trends, a radicalisation confined and precipitated by the crisis of Keynesianism. Monetarist policies responded to the crisis of Keynesianism without overcoming the crisis of Keynesianism. Keynesian economic policies continued to be used while the attack on the welfare state involved higher public spending, allowing the destruction of the relation between wages and public expenditure to be compensated for by those costs which the containment of labour on the basis of poverty required. The results of monetarism contradicted its practice as the reimposition of the power of money over the working class involved an inflation of credit which monetarism had officially declared against. The development of the class struggle over domination resulted in the deepening of the crisis of Keynesian policies of state austerity. While there can be no doubt of the oppressive character of debt, it, nevertheless, indicates the failure of the New Right to reconstitute social relations on the basis of the rule of money and the concomitant attempt to recompose class relations on the basis of the individual market agent responding to the incentives of the market.

In general, the inflation of credit is the most powerful expression of the fragility of capital's domination over labour for the purpose of exploitation. The deregulation of international money, the use of crisis as an instrument of control (deflationary attack), and the failure of this control (speculation and accumulation of debt) shows the strength of labour, even at the moment of defeat, to resist the recomposition between necessary and surplus labour. The monetarist project of using money as a means of disciplining labour power through debt and its enforcement, and through unemployment and devaluation of capital on a mass scale in the early 1980's, acknowledged the violence required to reimpose capitalist command over labour for exploitation. However, it could do so only by threatening the stability of the international composition of order through a collapse of international credit-relations upon which existing social relations rest. The subsequent relaxation of monetary policies acknowledged this contradiction.

Chapter VII
CONCLUSION

My aim has been to consider developments in the British state in relation to some recent developments in Marxist thought. The present chapter looks at the way in which the Marxist approaches introduced in chapter I pick up on different phenomenal moments of the crisis-ridden development of the state. The presentation is in the following order: ideological crisis (S.Hall), profit squeeze (Glyn/Sutcliffe; O'Connor), capital confrontation (Ingham), regulation approach (Aglietta) and the debate on the (post-)Fordist state (Hirsch/Jessop). There then follows an affirmative, but nonetheless critical, evaluation of 'social form analysis' associated with Clarke and Holloway. The chapter focuses on the latter two contributions to state theory and on the debate on post-Fordism which proved to be influential for a Marxist conceptualisation of the recent development of the state. The other approaches will be summarised in brief terms. At the end of the chapter I shall evaluate my own theoretical approach.

I Crisis, Fetishism and Marxist Approaches to 'Thatcherism'

I Ideological Crisis

According to this aproach the crisis of the Keynesian integration of labour involved a crisis of the synthesis between domination and its legitimising discourse. The political problem of the late 1970's was the problem of reconstituting such a synthesis, i.e. of establishing consensus. However, to simply regard the development of the state as resulting from ideological crisis is to misunderstand the dialectical movement of class conflict as merely an act of will fostered by the conviction of a particular party leadership which is able to articulate a particular ideological set of binding values. This is not to say that the 'existence' of particular historical characters (e.g. Thatcher) is of no importance. Their existence is neither a trivial accident of the class conflict, nor are they creators of the process which, however, might not have taken place with the same vigour without them (see Labriola 1974 on the relation between people making history and the class struggle). The ideological crisis approach essentialises a particular phenomenon of the crisis of Keynesianism. The approach essentialises the crisis of the legitimising discourse of domination, disarticulated from the crisis of capital's domination over labour. Such an essentialisation reifies structures. It reifies structures because it reproduces the dualism between structure and struggle. In turn, the dualism between structure and struggle involves a dichotomy between determinism and voluntarism. The dichotomy appears, for example, in S. Hall's (1985) emphasis on 'inescapable lines of development'. These lines of development are juxtaposed to the ability of the party leadership to provide a coherent set of binding values with which to articulate a particular hegemonic project of capital. Voluntarism and determinism are complementary. Whereas determinism emphasises the objective constitution of social development, voluntarism emphasises the subjective action responding to objective laws. The dichotomy between objective law and subjective influence separates what, fundamentally, belongs together (i.e. structure and struggle).

II Profit Squeeze Approach

The profit squeeze approach sees the channelling of working class struggle into the wage relation and the concomitant fiscal crisis of the state as the root of the crisis of capital and the state. The crisis of surplus value production is equated with the struggle over the way in which capital and the state sought to contain labour. On this score, the profit squeeze adds another layer of fetishism (labour as defined through the wage relation) to the enchanted world of capitalism. On the same score, O'Connor sees the crisis of the state as one of fiscal difficulties and a concomitant crisis of legitimation. The state is seen as being in fiscal difficulties because its revenue does not rise in parallel with the cost of its growing expenditure consequent upon the resistance by capital to taxation on profits. The imbalance between revenue and expenditure merely expresses in descriptive terms the root of the crisis of the state. The emphasis on the fiscal crisis of the state fetishises the crisis of the state because its crisis derives from a lack of structural articluation between, on the one hand, the capacity of the economy to finance state expenditure and, on the other, the inability of the state to confine its expenditure within the limits imposed by the economy. Alongside the emphasis on a structural relation between the economic and the political, the class struggle over the political integration of the working class is understood as a distribution conflict over a share in national wealth. This approach disarticulates structure and struggle and reintegrates them on the basis of fetishised (because purely structural) form. The other side of this structuralism is a voluntarist conception of the class struggle: capital's resistance to higher taxation and the political integration of the working class on the basis of fiscal redistribution of wealth.

III Capital Confrontation

This approach picks up on the reassertion of the limits of the market in the form of monetary constraint on productive capital (scarce credit and high interest rates). These constraints appear as a competitive relation of productive and money capital.

The limits to expansive profitable accumulation appear to be determined by the cost and availability of credit, and so by the lending practices and powers of the banking system. Unstable lending policies of bankers and erratic monetary policies of the central bank and the state appear as the cause of the crisis. Additionally, the sacrificing of productive accumulation on the altar of money in Britain is seen as being caused by the incomplete organisation of capitalist rule (dissociation of the interest of the City from domestic production in the UK). The approach disregards the material form in and through which the money power of capital subsists. Instead of seeing the conflict between different capitalist interests as a mode of existence of the crisis of domination over labour for exploitation, the approach merely articulates the way in which the conflict appears: the sacrificing of productive accumulation on the altar of money through restrictive credit practices, conditions and policies. Additionally, the focus on the national organisation of capitalist accumulation, i.e. on the incompleteness of capitalist organisation in Britain, does not recognise the international orientation of 'British' capital. The focus on domestic accumulation does not see that the rise of the City is the mirror-image of the global weakness of capitalist production. The decline of the British economy is the counterpart of a world boom based on a speculative deferral of overaccumulation and crisis.

IV Regulation Approach

The Regulation Approach picks up on the disruption of the circuit of social capital and its effects on institutional forms of political regulation. However, the Regulation Approach overemphasises the functional pattern of the integration of different value forms and disregards, thus, the social form through which these 'functions' obtain. As a consequence, the Regulation Approach reifies the fetishistic appearance of capitalist society and its crisis. The class struggle is constituted not at the level of 'social form' but, rather, at the level of the class conflict over wages. The Regulation Approach avoids analysis of the wage relation as a mode of existence of class antagonism. As a result, the class struggle appears as one mechanism amongst others, subordinated to, and a component of, the imperatives of a regime of accumulation and its disintegration and reintegration. By essentialising structural disintegration, the tension between different phenomena as modes of existence of the presence of labour in and against capital is systematised into a matrix of sociological features. The systematisation is sociological because different phenomena are merely seen as existing separately from each other and not in and through each other as modes of existence of class. In turn, the systematisation construes social existence as a matrix of systemic features because the approach emphasises the complementary character of a regime of accumulation and regulative forms (e.g. mass production - mass consumption - Keynesian forms of demand management). The articulation between the political and the economic is seen as being constituted, not by class struggle, but by structural mechanisms of social reproduction. As a result, the systematic character of social reproduction and its crisis is understood as a matrix of conjunctural or disjunctural features whose relationships remain to be investigated.

V The debate on the (post-)Fordist state

The debate on (post-)Fordism picks up on phenomenal moments of the crisis of social reproduction common to almost all the above mentioned approaches. Aspects of the state derivation debate (i.e. formal analysis of the state in terms of a logically derived concept; separation of the state from the economy as an accomplished result of historical processes which predate capitalism) are combined with aspects of: the Regulation Approach (i.e. systematic character of social reproduction, regulative functions of the state, separation between the economy and the state and intermediate concepts that allow an understanding of conjunctural articulations between them), the conflict between different capital interests ('fractionalism')(i.e. hegemonic projects of different capital 'logicians', equation of class struggle with capital's strategies, reduction of the complex diversity of the value forms to different capital 'logics'); the ideological crisis approach (i.e. discourse of one or two nations as seemingly inherent in different hegemonic strategies, ideology as providing leadership, cementing hegemonic strategies); and various other approaches: aspects of system theory (Luhmann: cf. Bonefeld 1990a); sociological model theory (Weber: cf. Psychopedis 1990); realist theory (Bhaskar: cf. Gunn 1990); capital logic approaches, i.e. the understanding of the state as providing regulative functions that make it possible for capital to operate; and fundamentalist economic theory on crisis (i.e. the emphasis of the tendency of the rate of profit to fall as the objective and inevitably unfolding law of capitalist development). Additionally, the debate on (post-)Fordism draws upon autonomist Marxist approaches (Negri) to stress the importance of class which is merely discussed in a spontaneist fashion, subordinated to the unfolding of objective laws of development (cf. Psychopedis 1990). Overriding all this, the debate reformulates, firstly, Poulantzas's theory of the state as a specific region, leading to a politicist understanding of social reproduction and, secondly, the technological determinism of vulgar base-superstructure views (cf. Pelàez/Holloway 1990). The eclectic assimilation of most of contemporary Marxist crisis and state theory provides the debate on post-Fordism with a surface clarity. Taken as a whole, the debate juxtaposes "features which refer to different problems and different levels of analysis", the relationship between which remains confused (Psychopedis 1990, ms. p. 7). Hostile to form analysis, while proclaiming in its favour, the debate separates 'abstract description' from empirical data in its misguided attempt to reduce the complexity of the historical development to structural types of distinct conjunctures between the economic and political. By attempting to grasp the complexity of discontinuous and continuous development in this way, the debate merely proliferates structures which remain static and fetishised (cf. Clarke 1990a). Additionally, the debate equates capital's projects with their implementation in practice. In this respect, the descriptive insights offered by the debate are reduced to a merely suggestive prognosis (cf. Bonefeld 1987b). The debate on (post-)Fordism does not ask why it is the case that this content (social reproduction) takes this form (capitalist domination and its crisis).

The debate on (post-)Fordism interprets historical developments in terms of their more or less close approximation to a model, whose pure form is allegedly progressively disclosed by history. Such a conceptualisation of social development implies the theoretical suppression of the constituting power of labour in and against capital. Capital, by implication, becomes a one-sided abstraction (i.e. the unfolding of objectives laws of capitalist development), thus permitting a teleological reading of history. The debate is teleological because it posits a goal of structural development and interprets, in turn, historical development as reaching towards its goal. The suppression of 'labour' carries with it the danger that the post-Fordist debate is in the end tautological: "first of all a model or norm is abstracted from disparate historical tendencies, and then it is in the light of this model that the significance of these same tendencies is assessed" (Bonefeld 1987b, p. 124). To be sure, the tendencies identified by the debate are real ones. However, they are real only relative to class struggle, and as such, in every sense open ended. As a consequence, the problem of the contradictory mode of existence of capital, and the movement of this contradiction, is conceived of as merely a contradiction between structures.

The disarticulation of structure and struggle (Hirsch) separates what belongs together as inner nature, or as actual and alive. To make a contrast between the unfolding of objective laws and class struggle is to see the crisis of social reproduction (and its resolution) as an inevitable process of what is seen as a structural disintegration or integration of a relation of correspondence between economic and political subsystems. The understanding of struggle as an effect of the unfolding of objective laws of development posits the inevitability of crisis and/or recovery. Such reasoning is teleological because crisis is seen as a transitory period in which the unfolding of the objective laws of capitalist development define the emergence of a new mode of domination appropriate to a regime of accumulation. The role of class struggle is strictly limited within this framework (Hirsch) or excluded from it: 'new times' and technological determinism. As a consequence, Hirsch urges that Marxist theorising needs to concentrate on the analysis of 'functional interconnections in society' (Hirsch 1990b, p. 41, my translation). The (post-) Fordist analysis seeks a causal explanation of the interrelation between different moments of social existence, thus interpreting social develpment in terms of a dualism between structure and process. Human relations are reduced to the status of being merely attendant upon structural laws. The externalisation of 'labour' from capital reifies structures qua fetishisation.

Conceptualising the capitalist state as a form of social relations, one has to reject Jessop's and Hirsch's notion of the relation of structure and struggle. An understanding of the state as a movement of social contradiction rejects a structuralist conceptualisation of different phenomena in terms of 'structural adequacy' (functional interconnections between different subsystems). Once the state is no longer seen as the political form of class antagonism, complex historical phenomena can indeed only be "analysed as a complex resultant of multiple determinations" (Jessop et.al 1988, p. 53). Thus, social reality is constituted by the "independent logics of political and ideological domains", forcing the scientific mind to follow, in descriptive terms, the strategic line of capital in the face of "various dilemmas, risks, uncertainties and complexities", emergent strategies, trial and error techniques etc. (Jessop et.al. 1988, p. 8). Since class relations are reduced to one (strategic) mechanism/cause amongst others (relations in production), the material world of capitalism emerges as a systematic cause of the struggle between different 'capital logicians' determined by (allocation) interests. Hostile to form analysis, while proclaiming in its favour, Jessop acknowledges merely structural contradictions. An understanding of social forms, as forms assumed by the class antagonism, is thereby ruled out. An understanding of 'contradiction' as internal to domination is pushed into oblivion. Instead one has to embark on an individualistic analysis of effect and result, the ontological depth of which is "the theoretical capacity to penetrate beneath the actual course of events to more fundamental mechanisms and causal powers which generate these events in specific circumstances" (Jessop et. al. 1988, p. 28;see also Bhaskar 1989, p. 2). The question for a Marxist analysis is how to understand multiple determinations/ causes and effects in their interrelation as modes of existence of labour in capitalism. To take the outward appearance of reality as the conceptual starting point (multiple causes as in Jessop;disarticulation of structure and struggle as in Hirsch) without insisting on the social relations that constitute social reality runs the danger of finishing conceptually where the theorising of the critique of political economy starts (1).

None of the above presented approaches undertakes a 'form-analysis' of social development, nor, and as a consequence, do these approaches pose the problem of contradiction and its movement. Hostile to the movement of contradiction, these approaches reinforce and reproduce the fetishism which, officially, they proclaim against. Fetishism is the construal (in theory) and the constitution (in practice) of social relations as thinglike, perverting such relations into a commodified and structural form. What, then, are the implications for form-analysis?

II Implications for Form-Analysis

Clarke

At the centre of Clarke's approach is the conceptualisation of the social forms assumed by class antagonism. Clarke's emphasis is on the development of the form of the state and the specific functions arrogated by the state to itself in the course of the class struggle. On this score, the historical development of the state is seen as being discontinuous, but it is discontinuous only in and through the unity of its form. For Clarke, the crisis of Keynesianism and the rise of monetarism reflects "the contradictory form of the capitalist state in the face of global crisis and overaccumulation, the development of the contradiction being determined by the outcome of pervasive class struggle" (Clarke 1988a, p. 173). The development of the state under the Thatcher government is seen as being precipitated by the crisis of Keynesianism. The development of the state in the 1980's is seen as being characterised by the rigorous imposition of individualising forms of money and the law, and by the recomposition of class on the basis of the categories of property owner and citizen. Clarke sees the money power of capital as the most fundamental level of the class struggle. He understands money as the most abstract form of capitalist property, i.e. the supreme power through which social reproduction is subordinated to the reproduction of capital. However, in Clarke, the category of money is not always taken to mean a mode of existence of the constituting power of labour, i.e. money as a category in which subjectivity takes the form of objectivity and vice versa (see Backhaus 1990).

Clarke understands 'money' implicitly as a one-sided abstraction (i.e. the money power of 'capital'). He sees the fundamental contradiction of capital as one constituted by the constant tendency to develop the productive forces without regard to the limit of the market and the need to confine accumulation within the limits of its capitalist form (Clarke 1990a, ms. p. 5). This contradiction underlies the "tendency to the global overaccumulation of capital, as the development of social production confronts the limits of its capitalist form as production for profit" (ibid.). Such a conceptualisation of the contradictions of capital tends to neglect the constituting power of labour inasmuch as the constitution of this contradiction, i.e. capital's ability to exploit labour effectively, is displaced to one between the development of the productive forces and the limits of the market. This displacement is real inasmuch as it constitutes a mode of existence of labour in capitalism: the integration of the abstract category of labour with the value form. However, this displacement is real only in and through the constituting power of labour in and against capital: the imposition of work (exploitation) through the commodity form (i.e. money as the most abstract form of capital's subordination of social reproduction as reproduction of capital). Clarke's conceptualisation of the contradiction of capital as one between the development of the productive forces and the limits of the market to the realisation of adequate rates of profit for capitalist reproduction downplays the productive power of labour which capital needs to harness as substance of value and which capital needs to confine within the limits of its form. Capital lives by turning the productive power of labour against itself. The fundamental contradiction of capital is its dependence on labour: the compulsion to increase surplus value production by limiting necessary labour and the need to confine the revolutionising of labour's productive power within the limits of capital. Within the form of money, the constituting power of labour subsists in a mode of being denied while, at the same time, money exists only in and through labour. The relations of exploitation exist in the form of money as a social equivalent which mediates inequality as equality: i.e. money denies a content which is that of social reproduction as domination. The meaninglessness of money exists in contradiction to money as the elementary form of capital. Money exists as command to work. The supreme power of money to subordinate social reproduction to the reproduction of capital exists only in and through the exploitation of labour. The form-giving fire of labour constitutes the category of money as a mode of existence of labour in capitalism.

Clarke's understanding of the contradictions of capital has implications for his treatment of money. In Clarke, the limits of the capitalist form are imposed upon individual producers through the money power of capital. However, since the contradiction is internal to capital (i.e. the tendency of capital to develop the productive forces without limits and the need to confine production in the limits of profitability), money tends to be understood not as a self-contradictory moment of capitalist reproduction constituted by the presence of labour in and against capital, but as a contradiction of 'capital'. Clarke contends that the development of the contradiction is determined by the class struggle, as "pressure of competition leads to an intensification of the class struggle" (Clarke 1990a, ms. p. 5). However, since the constitution of the contradiction of capital is understood in terms of capital (i.e. the limits of the market to the realisation of the unfettered development of the productive forces with adequate rates of profit for the purpose of expanded reproduction), the understanding of class struggle as determining the outcome of the movement of capital's contradiction puts 'class', by implication, into a shadowy position vis-à-vis capital. Clarke tends to differentiate between the movement of the contradiction and the constitution of the contradiction. While the movement is seen as one of class, the constitution of the contradiction (relations of exploitation) is one of capital. Clarke tends to neglect the constituting power of labour that exists in the form of money in a mode of being denied. As a consequence, 'contradiction' tends to be understood in terms of a contradiction internal to 'capital' merely supplemented by class struggle over the imposition of the limits of accumulation upon the working class (intensification of work and unemployment and the erosion of the welfare state). Consequently, the speculative accumulation of capital during the 1980's is seen as deriving from the contradictions of capital and not from the presence of labour in and against capital. This latter involves an understanding of the speculative accumulation of capital as an expression of the power of labour in and against capital (i.e. the containment of labour's productive power within the form of capital on the basis of a speculative deferral of mass devaluation and collapse), thus permitting an understanding of contradiction as internal to domination (i.e. the class struggle in and against the forms of social existence, and capital's subordination of social reproduction to the reproduction of capital as existing qua contradiction in and through labour).

Clarke's implied differentiation between the movement and constitution of social contradictions has theoretical and political implications for the understanding of class struggle. His treatment of the class struggle during the 1980's is two-fold: the working class has been defeated in the early 1980's, while capital's attempt to reconstitute the integration between the abstract category of labour and the value form on the basis of the supremacy of the valorisation process has failed (speculative dimension of accumulation which ruptured in 1987). While there can be no doubt about the severity of the defeat of the working class in the early 1980's, the shift in emphasis in 1982 (relaxation and the subsequent abandonment of monetarist credit and money policy) did not respond to the defeat of the working class but, rather, to the sharpening of the crisis of domination over labour. The failure to impose control through high interest rates, and the reassertion of command over labour in the form of mass unemployment and mass liquidation of productive capacity, sacrificed labour and production to such an extent that the international financial system was severely shaken. At the same time, the disruptive power of labour made a deflation of the money supply through cuts in credit, or repayment of debt, impossible, permitting an increase in public spending and precipitating the world's debtor crisis. The shift in emphasis in 1982 responded to the constituting power of labour in and through which the money power of capital exists in a contradictory way. The transfer of debt to the US was a response not to the possible collapse of international credit relations, but to the crisis of domination over the productive and disruptive power of labour that made itself felt in the possible collapse of international credit relations.

Clarke's neglect of the subjective constitution of the 'power of money' (i.e. the reification of the constituting power of labour in an alien thing, money) puts the working class into a role of an historical actor that is defeated, decomposed, and recomposed. Thus, Clarke argued before the crash in 1987, that "monetarism is beginning to outlive its historical moment. At the same time it has in turn created the conditions for its own supersession. By destroying the power of the organised labour movement it has created the conditions under which a more interventionist strategy of political and economic restructuring becomes possible, within which Keynesianism can be reborn" (as characterised by 'new realism')(Clarke 1987, p.

424). In turn, the neglect of the subjective constitution of money finds a different articulation after the crash in 1987. The crash is seen as a symptom of a deeper crisis of overaccumulation. Consequently, "it is difficult to see the project of neo-liberalism as that of constituting a form of 'post-Keynesian' or 'post-Fordist' state. Nor is it any longer possible to see neo-liberalism as an aberration, to be followed by a resumption of Keynesian normality, or as a transitional phase, to be followed by some new 'post-modern' form of the state" (Clarke 1990a, ms. p. 21). The different conclusions reflect Clarke's theoretical arbitrariness deriving from his implicit differentiation between the constitution and the movement of contradiction. This differentiation seems to derive from his emphasis on the working class as a constant force and threat to be contained by capital. At the same time, however, the working class remains a rather shadowy figure (Holloway 1989). The presence of <u>labour</u> in and against capital remains a shadowy figure to the extent that a glimpse of externality between structure and struggle seems to enter into Clarke's conceptualisation. As Clarke (1988a, p. 359) puts his argument: "The necessity of socialism has never been more urgent", especially in regard to a period in history in which "the subjective conditions for socialism are also more fully developed than in any other period". The externality between structure and struggle obtains in the emphasis of 'more fully developed', an emphasis which contains a possible deterministic fetishisation of objective laws whose development create subjective conditions for action. The contingent relation between (a shadowy figure of) class and historical conditions opens up the problem of how to understand the concept of 'contradiction internal to domination' (see Gunn 1990b,c). In my thesis, the attempt has been made to conceptualise the category of money in terms of contradiction (reification of human relations).

Holloway

Holloway insists on the primacy of class struggle for an understanding of capitalist society. While he asserts that capital <u>is</u> class struggle, he fails to follow through the implications of his approach, namely an understanding of form as a movement of contradiction in and through class. For Holloway class struggle is understood in terms of the "grinding, everyday, unspectacular class struggle, so unspectacular that it is not even seen by bourgeois theory, so everyday that the simple assertion that capital is class struggle seems inexplicable even to some in the Marxist tradition" (Holloway 1990d, ms. p. 2). Explaining crisis in terms of class involves a conceptualisation of the specific form in which surplus labour is pumped out of direct producers. However, Holloway avoids the problem of form (i.e. movement of contradiction) by reverting to a populist essentialism. "Contained conflict appears as harmony. And then there is a break: conflict becomes manifest, the 'normal' is questioned, other views of this normality gain force, hidden interconnections appear, established patterns of power are attacked. The dam bursts. Suppressed anger is suppressed no longer" (Holloway 1990b, ms, p. 25). Such an understanding of the class struggle involves a three-fold danger: the essentialisation of class struggle; the externalisation of structure and struggle and a structuralist understanding of capital, i.e. the understanding of capital as a one-sided abstraction. In Holloway, the internal relation between form and materiality is reduced to a simple juxtaposition of opposites. As a consequence, social form analysis dissolves into a fetishisation of structures (the system, the apparatus) and into a fetishism of the subject (creativity, the uncontainable burst of love and hate in the life-world). In order to resist the destructive commands of the system, the class struggle (i.e. the defence against, and the liberation from, the commanding power of the system) is posited outside the system and needs to exploit the irrationality of the system: class struggle needs to exploit the oppositional space that is constituted by the irrationality of the system. Holloway's relapse into structuralism is evident in his treatment of the form of the capitalist state.

The focus on class struggle leads Holloway to conceptualise the state in a two fold manner: the form of the state and the state apparatus. The state apparatus is identified with the bureaucratic structure of the state, as the terrain of daily contact of people with the state and as a place of struggle (i.e. in and against the state). The materialisation of state power in bureaucratic forms of control, individualisation and repression is seen as expressing the social conflict inherent in a particular historical development of the state apparatus (Holloway 1979/1990,1980).

Holloway discusses the state apparatus as manifesting a distinct level of existence of political power, juxtaposed to the form of the state, while, at the same time, the state apparatus is seen as being determined by the form of the state. Holloway's argument is not at all clear on how to separate form and apparatus. Holloway insists on two mutually exclusive understandings of the state: a dualism between the form and the historically concrete development of the state, and the form of the state as constant process of class struggle. While this latter notion seems to suggest that form and structure (i.e. apparatus) can not be separated, the introduction of distinctive levels of form and apparatus entails a juxtaposition of different things that belong fundamentally together. Holloway seems to derive this distinction from Hirsch (i.e.

the form of the state as an accomplished historical fact and the need for more concrete analysis of the functioning of the state power), while his understanding of the state apparatus derives from Blanke/Jürgens/Kastendiek (1978), who, in contrast to Holloway, identify the 'functional form' of the state with the form of the state itself (see Clarke 1990b). Holloway seems to suggest an existence of different levels of the state as between abstract form and concrete apparatus. Does the struggle in and against the state apparatus involve a struggle in and against the form of the state and vice versa? If not, what is their distinction? If so, how to understand their interrelation? The answers provided by Holloway are evasive. In his contribution to the conceptualisation of the form of the state, Holloway insists that form and content are inseparable. In his analysis of state power, on the other hand, he falls back on discussing separate levels (form versus apparatus) of the existence of the state. Such an understanding seems to imply an understanding of the state similar to the one represented by Jessop who distinguishes between the form of the state (as abstract level) and, separated from it, although existing through it, an intermediate conceptualisation of the concrete development of the state (i.e. (post-)Fordism). This intermediate level of the state seems to be identical to Holloway's use of the term state apparatus. The confusing juxtaposition of different levels is "only increased by Holloway's relapse into structuralism, in defining the state apparatus as the 'institutional fossil of past struggles to reproduce bourgeois forms'" (Clarke 1990b, ms. p. 29). This view is structuralist because the state apparatus is, by implication, seen as a neutral instrument whose specific character is determined by the class struggle. Holloway "clearly distinguishes the state apparatus, defined as the 'institutional network of financial and administrative controls', from the state as a 'form of capitalist social relations', which would imply that the apparatus is not in itself capitalist" (Clarke 1990b, p. 29). As Holloway would reject such a criticism, his failure to clarify the confusing juxtaposition of form and apparatus runs no less deep. Holloway's essentialisation of class struggle coincides with a structuralist understanding of the state (apparatus) because of the implied contrast between class (creativity and life) and the capitalist state (death and destruction) (see Holloway 1988b).

In Holloway, the jump from form analysis to an understanding of an apparent intermediate level of the state (i.e. state apparatus) is in parallel with his shift in emphasis from the social form of the movement of class antagonism to the immediacy of the class struggle. While Holloway does not succeed in giving theoretical clarification on the issue of intermediate levels, he puts his finger on a deep-rooted problem of form analysis, namely the formal aspect of derivation in contrast to the actual historical process which form analysis claims to conceptualise. The problem touched on by Holloway is that of how to understand the actual movement of class in and through the forms in and against which the class struggle exists. How does one understand the unity-in-difference of various workers' struggles and how can one conceptualise them without falling into empiricism, functionalism and realism or essentialism and romanticism? On this score, my thesis was based on the assumption that when it comes down to the 'real struggle', the 'real resistance' and the ultimate principle of the assertion that capital is struggle, matters of fact taken on their own are wholly uninteresting. Looking at the facts will not help because facts are real events that are always readily contestable on their own empirical terms. The theory of class struggle needs to be located in form analysis as a way of thinking the relation between critique and empirical evidence and vice versa. There is no alternative to the problem of a Marxian exposition [Darstellung], even if it does not provide a close treatment of empirical evidence of struggle. In response to Holloway's distinction between form and apparatus, I have tried to argue that the specific functions arrogated by the state to itself in the course of the class struggle need to be understood in terms of the historical development of the form of the state. The lesson for form-analysis seems to be that the abstract categories need to be seen as existing in the concrete and vice versa. The abstract categories need to be seen, thus, as open to the historical development in and through which they subsist. Only in this way can form analysis exist as a theory of the contradiction of domination, a contradiction of which critique is itself a moment.

Holloway's relapse into an essentialist understanding of the class struggle needs to be seen in the context of the apparent success of the New Right in containing class struggle over the last decade. The school of Marxism which I have reworked in the context of the contemporary development of the form of the state is constantly in danger of essentialising its conceptual and practical assertion of the primacy of the class struggle. The essentialisation of the class struggle is not confined to Holloway but stretches across a wide range of authors working within this Marxist tradition, in particular Negri (1989,1990) and Cleaver (1990). The shift from the primacy of the class struggle to its essentialisation is generated from an understanding of critique as arising out of a pre-given opposition. "The problems of relativism entailed by seeing the opposition/critique relation this way round are formidable" (Gunn 1989, p. 114, fn. 4 on Holloway 1988b). The primacy of opposition over critique dismisses, by implication, the 'unity of theory and practice' (see Gunn 1987a). The relapse into essentialism and the danger of falling into a hasty conceptualisation of the class struggle have posed a constant danger in my thesis. The charge of essentialism against the school of Marxism reworked in my thesis is, by implication, directed against myself (see Psychopedis 1990 who criticises my approach on this score).

III The Constituting Power of Labour _in_ and _against_ Capital

None of the above approaches, except those of Clarke and Holloway, pose the question of the internal relation between materiality and form and, as a consequence, they dismiss an analysis of the movement of the contradictory unity of surplus value production. In Clarke and Holloway, the conceptualisation of the presence of labour _in_ and _against_ capital bends either into the neglect of labour (the shadowy figure in Clarke) or into the essentailisation of labour (the burst of anger and resentment in Holloway). I have tried to overcome this problem by conceptualising the power of labour as the form-giving fire of social existence, a form-giving power that exists, and which asserts itself in practice, _qua_ contradiction in and through the forms of social reality. The thesis has asserted that the 'real' is perverted. At the same time, the perversion of human relations as relations of things (i.e. money, state, capital) exists as a mode of existence of social relations, social relations which exist _qua_ contradiction in and through the perverted forms of social reality. The terms 'perversion' has a two-fold meaning: deranged (_verrückt_) and de-ranged (_ver-rückt_); or mad and displaced (see Bonefeld 1990b;Backhaus 1990). I used the term 'labour' as a concept which connotes the social constitution of social phenomena, i.e. the self-contradictory constitution of social phenomena as perverted (in its double meaning) forms of social existence. I used the term 'labour' as connoting the constituting power of labour _in_ and _against_ capital. On the other hand, I referred to the 'working class' as a mode of existence of labour based on the struggle over the wage relation, that is, the struggle over the imposition of work through the commodity form. The 'working class' was conceived of as social activity, an activity constituted by the existence of labour in capitalism. Both, 'labour' and the 'working class', were conceived of as existing in a dialectical continuum as between constituting power and social activity. I understood this dialectical continuum to mean an internal relation between the concept of labour (i.e. the abstract category of labour in action) and the working class (i.e. the reification of labour in the form a distinct workers' interest for secure employment, living standards and social reform). I understood this dialectical continuum to mean also the de-ranged existence of labour, involving an understanding of the working class as the social subject of history. Construing the relation between labour and the working class in this way seems to me to be fruitful to challenge the essentialism and functionalism inherent in the Marxist school reworked in my thesis.

For example, seeing constant capital in the way just outlined made it possible to speak about the subjective constitution of constant capital. This understanding of constant capital permitted its conceptualisation as a self-contradictory phenomenon which connotes the productive and disruptive power of labour in and against the means of production, i.e. the reification of labour's productive power as productive power of capital to set labour in motion and the reification of labour's disruptive power in the form of constant capital (work-pacing and control of labour). In respect to money, my conceptualisation of labour made possible an understanding of money as a reification of labour's constituting power in a mode of being denied (i.e. the perversion of social existence as a human relation). This made it possible to speak about labour as the collective antagonism to the money power of capital, without thereby simultaneously fetishising the collective power of labour as the determining force (as is the case in Negri's conceptualisation of labour as existing merely against capital). In turn, by conceptualising social phenomena as modes of existence of the presence of labour in and against capital, the movement of the contradictory existence of social phenomena is not construed as being determined either by objective laws or by subjective action. Rather, the determination of the movement of contradiction was kept open as regards class struggle. On the other hand, the movement of the contradiction is determined by its social form (i.e. reification of human relations).

Conceptualising capitalist domination in this way offers a fruitful contribution to a perennial controversy in Marxism, namely, the controversy over the relation between conceptual and historical analysis. The abstract category of labour pertains in and through a de-ranged social reality, a reality which is real as a mode of existence of the abstract category of labour. Such a view rejects an understanding of 'value' as the 'meta-form' of social reality to which more concrete concepts have to be added (as in Jessop 1990). Instead value is understood as the mode of existence of the constituting power of labour in and against capital, a constituting power which does not exist in abstraction, but as the concrete historical process of the class struggle (i.e. the dialectical continuum of deranged and de-ranged). On this score, the thesis offers neither a contribution to political science (e.g. Jessop), nor a contribution to left Marxist system analysis (capital as an irrational system: e.g. Negri). The thesis offers a contribution to the study of social constitution and form, i.e. to the understanding of labour as existing in and against capital. However, such a conceptualisation of class struggle involves one major difficulty, namely the 'heresy of reality' (cf. Agnoli 1980;Bonefeld 1987b). By this, I understand the circumstance that the concrete constantly challenges its abstract conceptualisation, forcing a permanent reconsideration of the validity and the meaning of concepts. The difficulty of conceptualising the heresy of reality necessitates, firstly, the openness of the categories themselves and, secondly, an understanding of class struggle as being unpredictable. These two elements exist in a contradictory way in that the binding values of theory have to be constantly reasserted through the movement of the class struggle whose unpredictability involves a possible crisis of theory (Psychopedis 1990). For theory, the unpredictability of class struggle necessitates a generalisation through abstraction so as to avoid the closure pertaining in a fixed and given social reality. The contradiction between abstract conceptualisation and the heresy of reality asserts, in theoretical terms, the contradictory existence of a perverted world. This contradiction connotes the unpredictability of the movement of class struggle itself. On this score, the thesis is very much part of the contradictory existence of social reality as expressed, for example, in the tension between conceptual and descriptive analysis.

All the above criticised approaches, with the exception of Clarke's and Holloway's, put forward a one-dimensional analysis for the crisis of Keynesianism and the rise of Monetarism rather than offering an analysis that grasps complex relationships between different dimensions of class struggle over domination. Such an analysis can be provided by 'form-analysis', the school of Marxist thought reworked in my thesis.

The power of money can not be properly understood unless it is conceived of as a mode of existence of labour, thus permitting an analysis of money as the most abstract form of capitalist property and so as the supreme power through which social reproduction is subordinated to the production of capital. Further, the form of the state can only be understood if one sees the state as the political form, complementing the economic, of the fundamental class antagonism between capital and labour. The forms of capitalist domination cannot be theorised in terms of structural adequacy because the forms do not express a functional integration but, rather, the contradictory character of capitalist reproduction. The systematisation of forms in terms of functional and structural adequacy can not grasp the movement of forms in and through the class struggle; neither can it theorise their constitution. The unity-in-difference of social forms can be articulated theoretically. However, their development is the outcome of a history of class struggle in and against the capitalist form of social reproduction. The historical resolution of class struggle is always provisional, i.e. relative to the movement of the class struggle itself. The so-called functional integration of different forms is always problematic not only for the working class, but also for capital. An analysis which takes the forms for granted and which seeks to trace their causal interconnections can not grasp their historical development because it refuses to risk the methodic assertion of forms through abstraction. A theory that looks at structural integration is a theory which seeks to map concepts on to the objects of its theorising, thus taking these objects for granted and running the risk of reifying what needs to be explained. Such an approach tends to become complicit in the fetishisation of human relations to which it is officially opposed. Secondly, such a theory runs the risk of conceptual collapse. This is so because such theory can not justify its concepts. For example, the assumption of the political as existing in a mode of structural adequacy involves the following problems: firstly, what is the political adequate to; secondly, what determines the adequacy of the political; thirdly, what is the criterion with which to define adequacy. Only three solutions are possible: firstly, the adequacy of the political is measured in terms of its output concerning the requirements of the economic. Such a solution opens the way for an economistic Marxism, the political superstructure arising from the economic base. Such a view concentrates on the economic as the determining structure, thus making the political merely attendant upon the inescapable lines of economic development. The second solution is to introduce a new set of concepts with which to justify the first level of concepts. However, the new set of concepts needs to be justified itself, leading to the introduction of new concepts and so on. This solution reproduces the problem it claims to resolve through an infinite regress of metatheories (see Gunn 1989). The third solution is to abnegate a conceptual understanding in favour of a descriptive sociology of corresponding features as between different subsystems. Such a solution sees the economic and the political as 'autonomous' systems which generate causal interrelations through a _sui generis_ operation of their internal laws (see Jessop 1986a). As a consequence, theory needs to identify reciprocal elements which exist in different subsystems (e.g. mass production and demand mangement and the ideology of social consensus).

No explanation can be given of how a reciprocal matrix of mutually supporting elements develops. The only possible explanation is to declare such a matrix to be a contingent articulation between different autonomous systems. This solution interprets historical development in terms of its more or less close approximation to a model whose elements are not conceptualised but, rather, presupposed. This solution avoids the problem of justifying concepts only because the historical development is understood to be contingent, thus allowing the concepts to be contingent and arbitrary themselves. Further the concepts can be readily justified on the basis of the 'real': it is what it is. Since, for example, the shift in emphasis in economic policy in 1982 is a shift in emphasis and since the recovery phase of accumulation in 1983 is a recovery phase, the articulation between the political and the economic can be seen as a (flexible and contingent) articulation because it is real in practice. In the event, the 'real' is explained by what exists, hence tautology. The fundamental weakness of theories which aim at understanding the structural adequacy of social forms is that they see contradictions only in terms of structural contradictions, thus disarticulating structure and struggle. Such disarticulation does not obtain if one understands the constitution of social forms as modes of existence/motion of social relations, the presence of labour in and against capital. The unity of structure and struggle and of concept and history stand or fall together. The class struggle does not simply take place within the forms; the forms are themselves a moment of the class struggle and are at issue in class struggle, as capital and the working class confront them as barriers to social reproduction.

If one were to adopt a dualist understanding of structure and struggle, the analysis would lead to a determinist understanding of social development as the analysis needs to focus on "the inescapable lines of tendency and direction established by the real world" (S. Hall 1985, p. 15). Such systematisation cannot grasp the complex interrelations because the interrelation is, ultimately, understood only in terms of causes and effects of structural laws. If this were the case, the social conflict would be impossible to understand because of its distance from and unresolved relation to objective laws. Unless one sees structures as modes of existence of human relation, it would be impossible to understand the constitution of 'structures' and their 'development'. As a consequence, those approaches which focus on structures find it difficult to explain how social conflict and structures interrelate. The separation between class struggle and capital implies that social activity can be grasped only in separation from the peculiar forms which class struggle assumes: voluntarism.

Voluntarism and determinism are theoretically complementary because of the dualism between class and capital (i.e. objective laws). The development of forms can be understood only on the basis of an internal relation between structure and class struggle, i.e. the presence of labour in and against capital. The key to such a conceptualisation of social development is the notion of the 'abstract category of labour in action', introduced in chapter II.

If one were to adopt Jessop's understanding of the state, nothing but a base-superstructure analysis would be possible, however much one sees the state as existing in a non-necessary relation to the economic. Such a view can not grasp the complex relationships between different phenomena because it is ultimately the determining power of the economic (itself one phenomenon amongst others) which is taken as decisive. At the same time, such an approach can not provide an understanding of the 'base' itself: is money part of the base or part of the superstructure? If one were to adopt such an approach, how would one be able to avoid a merely causal understanding of the relation between the political and the economic, an understanding which takes for granted the existence of the causally related terms? The economic/political relation, and indeed the distinction between 'the economy' and 'policies', can be understood only if one conceptualises the social relations which constitute the political and the economic as complementary forms, i.e. as, together, different modes of existence of the presence of labour in and against capital. The role of the state in enforcing law is not just a matter of a superstructural reflection of economic needs, but entails the enforcement of capitalist reproduction which is the historical presupposition of the form of the state itself. If one looks at the structural adequacy between supposedly different subsystems, as in Jessop, Hirsch, Aglietta, then the contradictory character of social reproduction can be understood, ultimately, only in terms of structural contradictions, thus permitting the suppression of human relations which appear only in attendance upon to structural laws. Further, if one looks at structural laws, and contends that crisis is a dysfunction of the system, then only a determinist and teleological analysis is possible because of the presupposition of inescapable lines of development and the understanding of dysfunction as requiring to be transformed into function in due course. Lastly, explaining the relation between different phenomena in terms of structural adequacy implies explaining crisis in terms of structural inadequacy. Dysfunction is explained by function and, by implication, function by dysfunction, hence tautology. An analysis which suppresses class struggle can not provide a consistent understanding of social development; it provides a merely descriptive analysis instead.

A conceptualisation of social form as a form assumed by class struggle makes it possible to explain why it was the case that, despite overflowing markets and the revolutionising of labour's productive power, social reproduction entered crisis. The world entered crisis by the end of the 1960's not because of the overproduction of commodities, but because of the overaccumulation of capital: the limits of social reproduction as production of capital. 'Form-analysis' explains why it was the case that the overaccumulation of capital expressed itself in the form of a financial crisis. Form analysis conceives of 'money' as representing the most abstract form of capital; the overaccumulation of capital is expressed in unemployed capital that exists in the form of money. The abstract category of labour exists in the form of money that can no longer be converted into productive command over labour, i.e. the substance of value and as such the substance of money. Further, the ability of money capital to extend beyond the direct capitalist imposition of work through speculative financial investment signals not only the crisis of domination over labour (i.e. the ability of capital to exploit labour; unemployed capital) but, also, a crisis of the political integration of labour: the crisis of the integration of labour on the basis of the transformation of protest into demand and the deficit financing of reproduction. The crisis of the Keynesian integration of labour underlay the crisis of global deficit financing of demand, institutionalised in Bretton Woods. The rupture of Bretton Woods asserted the limits of Keynesian expansionism in the form of the barriers to the sustained domestic accumulation presented by the overaccumulation of capital on a world scale. This barrier asserted itself to the state in the form of the global rule of money. Monetary pressure establishes the relation between the economic form of the crisis and the crisis of the state. Monetary pressure sets limits to the way in which the state integrates the working class through social reforms. The subordination of the form of the state to money is a mode of existence of the contradictory unity of surplus value production, a contradictory unity constituted by the existence of labour in and against capitalism.

The understanding of the form of the state as a mode of existence of class antagonism explains why the state attempted to decompose class relations on the basis of law and money. No such explanation can be provided by the other debates, since law and money are not seen as forms of class struggle but as superstructural expressions of structural forms. Were one not to understand the state as a form of class struggle, one would not understand why it was the case that the state sought to decompose class relations on the basis of the rule of money. Money treats everybody as equal, as all proprietors are equal to money; an equality that characterises the right of property as the paradigmatic form of exploitation. In turn, the imposition of equality, discriminating against the despotic means of domination, involves the processing of the working class as wage labour. This helps to explain why the state seeks to arrest class struggle by imposing the wage relation.

The crisis-ridden imposition of the wage relation can be understood only if one understands the mode of existence of labour in capitalism, i.e. the presence of labour in and against capital. The substance of capital is the exploitation of labour which exists in the form of monetary equivalents on the market: the integration of abstract labour with the value form. The state enforces the right of property by decomposing class relations on the basis of the wage relation, that is, on the basis of the commodity form. If one adopts the school of Marxism reworked in my thesis, it is possible to show why the Keynesian imposition of the wage relation, i.e. the attempt to channel protest into demand, had come into conflict with the limits of accumulation. One would be able to show that the expansive imposition of the wage relation implied a barrier to the integration of national wealth into the world market, mediated through the money power of capital. At the same time, the imposition of the wage relation does not imply a crisis of social reproduction, but the political attempt to impose work through the power of money, disciplining the working class on the basis of the dictates of the market and channelling protest into non-class forms, i.e into bourgeois relations of property. In turn, the deflationary attack on wages involved the disorganisation of the working class on the basis of the wage relation and the attempt to intensify work through pressure on living standards, unemployment and wage pressure. Further, the imposition of the wage relation and deflationary attack on wages entailed the break down of the synthesis between domination and its legitimating discourse (i.e: the Keynesian ideology of social consensus). Simply to explain the ideological crisis of Keynesianism as a crisis of the ideological discourse is to explain crisis through crisis, hence tautology.

Further, unless one understands the global character of capitalist accumulation, one can not understand the integration of different nation states on the world market through a synchronisation of balance of payment problems and currency difficulties.

Although the state is constituted politically on a national basis, its class character is defined by the social relations of production, the development of which is international, accumulation and world money transcending national boundaries and national currency. The subordination of the state to the rule of money confines the state within limits imposed by the contradictory form of global capitalist accumulation. Such an understanding explains the interrelation of nation states in and through the global flow of money, the disruption of which imposes monetary pressure on each nation state to secure expanded reproduction through deflationary attack, including the intensification of work. To see the state in terms of the nation state, and the organisation of capital in terms of its national organisation, would make it impossible to understand why, for example, the decline of Britain is matched with the rise of the City and globally prosperous 'British' capital. The contradictory unity of surplus value production impinges on the state through the overaccumulation of capital on a world scale. This explains the global crisis of Keynesianism and the global rise of monetarist policies, the reassertion of monetary pressure over the domestic organisation of money through the pressure on the formal exchange equality of national currency and the interrelation between a default in one country and its chain effects on other countries. A conceptualisation of capital in terms of its national organisation makes it impossible to understand the monetary constraints on nation states. Unless one adopts a form-analysis, pressure on currency, exchange rate fluctuations, balance of payment problems, and debtor crisis can only be understood as impinging on the individual state through the shadowy figure of external forces.

The debate within Marxism reworked in my thesis conceptualises the presence of labour in and against capital as the primary relation, thus permitting an understanding of the economic and the political as complementary forms of the relation which suffuses them. In turn, the economic and the political are seen as existing in a relation of determined negation: neither can exist without the other, while both exist in and through each other. (Thus: the political and the economic as existing in a relation of separation-in-unity. The state does not stand above the class struggle, but is a form of the class struggle.) The state enforces the right of property through the imposition of law; the state regulates the reproduction of the working class through social administration; the state maintains the rule of money and the convertibility of currency through the decomposition of class relations on the basis of the market: the imposition of work through the commodity form. Such an understanding of social existence explains why the state cannot reconcile the contradictions of capital but is, rather, forced to reproduce these contradictions through money and credit policies. The state imposes the force of law and money. In general terms, the crisis of domination over the confinement of labour's productive power within the form of capital impinges on the state in the form of the barriers to the sustained accumulation presented by the overaccumulation of capital on a world scale. The state can contain the political impact of the crisis-ridden development of accumulation through law, money and force. However, the use of these means are limited by the global character of accumulation and the political constraints of the class struggle. The enforcement of law and money involves the decomposition of class relations. However, the power of law and money recognises the working class only so far as property ownership is concerned, i.e. the imposition of market equality, thus permitting the role of law and money-as-command to work. However in money the relation to its own substance, i.e. exploitation, is seemingly eliminated (property relations), while money is, at the same time, the incarnation of value (abstract labour). To approach the relation of money to labour in this way explains why the state reproduces the contradictions of capital, rather than resolving them. By imposing the limits of capital through the power of money, the state sacrifices productive activity and labour, i.e. the basis upon which money as representative of abstract labour exists. On the other hand, the attempt to reconcile production and circulation on the basis of credit-expansion implies the speculative deferral of devaluation and liquidation of capital, as too much credit accumulates relative to the ability of capital to guarantee credit as a claim on surplus value through the effective exploitation of labour. The state's attempt to enforce debt through a monetary and legal decomposition of class relations indicates that the development of the state is not determined by the functional imperatives of economic requirements (as in the Regulation Approach and the debate on Fordism), but by the development of the class struggle over deflationary attack. Such deflationary attack, in turn, does not relate directly to the crisis of surplus value production, but to the constitution of this same crisis in the form of global monetary pressure of unemployed capital which accumulates independently of the exploitation of labour, while, at the same time, existing only in and through it. Unless this were the case it would be impossible to understand why the state did not succeed in implementing regulative forms to resolve the crisis of capitalist overaccumulation.

The understanding of abstract labour as constituting social activity makes it possible to explain why it was the case that monetarist economic policies were abandoned in favour of a speculative sustaining of accumulation. This shift did not follow a change in the ideological battle. Neither did the shift follow the inescapable lines of development. The ideological legitimation of the capitalist state power did not change; monetarist ideology remained. The change in emphasis did not emerge because of the unfolding of objective laws, the 'inescapable lines of development' of a crash course. The shift in emphasis came about because of the crisis-ridden dissociation of monetary from productive accumulation on a world scale. However, this dissociation cannot be explained in terms of a confrontation between different capital interests (cf. Ingham), because unless one sees the relation between money and productive capital as a relation constituted by the class antagonism between capital and labour, no explanation can be given of how there can be a crisis-ridden dissociation between monetary and productive accumulation. Unless one understands the social form of class relations, the only possible answer to such dissociation is to systematise different income sources, without, however, providing a consistent understanding of the interrelation between different 'incomes'. The 'value' of money is not the interest it can achieve, but the share of surplus value it can command. The stability of credit depends on the productive imposition of work: the guarantee of credit as a claim on surplus value. This helps to explain why the events of 1982 triggered a shift from monetarist to Keynesian economic policies. This shift was not a response to the economic slump, or to the debtor crisis as such. The shift responded to the possible collapse of the capacity of capital to subordinate social reproduction to the reproduction of capital through money. However, the power of money exists only as command to work: the substance of money is labour; credit exists as a claim on not-yet produced surplus value. Thus one needs to descend from the crisis of debt to the crisis of money as the most abstract property of capital; and from money to the crisis of surplus value production, and thus to the class struggle over the imposition of money as command to work: i.e. the class struggle over the relation between necessary and surplus labour - the constitutive parts of the working day and the class relation which constitutes it. The fragility of international debt expressed a failure to exploit labour effectively, undermining the guarantee of credit as a claim on surplus value and, concomitantly, the guarantee of credit as a claim on taxation. It was the productive power of labour which capital failed to confine within its form on the basis of the supremacy of the valorisation over the labour process. Instead the productive power of labour was confined within the form of capital on the basis of a speculative deferral of mass devaluation of productive capital. Unless this were the case, it would be impossible to understand the interrelation of the 1980's boom and the crash in 1987. Unless one sees labour as the other side of the crisis of capitalist reproduction, it would be imposible to understand why the self-contradictory 'autonomistion' of monetary accumulation involves a crisis of the form of the state. Unless one sees the form of the state as the concentrated power of the property of capital to enforce law and money, it would be impossible to understand the interrelation between class struggle over the reassertion of the right to manage and the conflict over deflationary attack. The political imposition of the abstract equality of money involves class struggle over the form of the state as the struggle over capitalist domination involves the state in imposing the limits of capital through money, law and force. Surplus value production exists only contradictorily, and thus money exists only contradictorily as money, as each of the world's debtor crises makes plain. These contradictions can not be understood if one takes the nation state, or the wage relation, or the separation of the state from the economic, or the dissociation of financial from productive investement, or ideological discourses as the starting point. Indeed, a Marxism of structures and discourses is forced either to trail behind events, extrapolating from existing 'structures' and 'discourses' a merely descriptive analysis of unexplained events, or to rush in front of events seeking to construe, in teleogical fashion, the reintegration of structures. The theoretical suppression of struggle in favour of a description of real events and enduring tendencies forecloses upon the conceptual understanding, and historical lessons, of the dangers and opportunities inherent in social development.

The political consequences of the theoretical suppression of the constituting power of labour in and against capital are formidable. The 'enduring tendencies' of speculative accumulation and the fragility of controlled devaluation of superfluous capital (see chapter III) show the real possibility of a collapse. In the case of such a collapse, a taste of a domestic reassertion of domination is provided by the example of a monetarism in crisis in so-called debtor countries. Unless capital were class struggle, it would be impossible to understand why there has not been a much more vigorous reassertion of political domination in the UK, and other metropolitan capitalist countries. Unless one understands that capital is class struggle, there will be no alternative to the 'inescapable lines' of declining living standards, intensification of work, loss of jobs and the erosion of the welfare state. It is not the inescapable lines of development which determine the oppression of the working class, but the ability of capital to contain the working class within the limits of social reproduction as reproduction of capital. The tragedy of Marxist approaches which separate class struggle from capital is that the suppression of class struggle is complicit in the rejection of historical responsibilities.

Notes

1: Parts of this argument have been published in Bonefeld 1990a

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